

FINANCIAL STATEMENTS  
VILLAGE OF BARAGA, MICHIGAN  
February 29, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|   |                                |   |                         |
|---|--------------------------------|---|-------------------------|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other |                                | Local Government Name<br><b>Village of Baraga</b>           | County<br><b>Baraga</b> |
| Audit Date<br><b>2/29/04</b>  | Opinion Date<br><b>7/15/04</b> | Date Accountant Report Submitted to State:<br><b>8/2/04</b> |                         |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | ✓        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).   | ✓        |                 |              |

|   |                         |                    |                     |
|---|-------------------------|--------------------|---------------------|
| Certified Public Accountant (Firm Name)<br><b>Joseph M. Daavettila, P.C., CPA</b> |                         |                    |                     |
| Street Address<br><b>417 Shelden Avenue</b>                                       | City<br><b>Houghton</b> | State<br><b>MI</b> | ZIP<br><b>49931</b> |
| Accountant Signature<br><i>Joseph M. Daavettila CPA</i>                           |                         | Date               |                     |

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JOSEPH M. DAAVETILA, P.C.  
*Certified Public Accountant*  
417 Sheldon Avenue, P.O. Box 488  
Houghton, Michigan 49931

July 15, 2004

To the Village Council  
Village of Baraga, Michigan

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying general purpose financial statements of the Village of Baraga, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Baraga, Michigan as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated July 15, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, and is not a required part of the general purpose financial statements of the Village of Baraga, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Joseph M Daavetila, PC*

Certified Public Accountant

VILLAGE OF BARAGA, MICHIGAN  
ALL FUND TYPES AND ACCOUNT GROUPS  
COMBINED BALANCE SHEET  
February 29, 2004

|   | <u>Governmental Fund Types</u> |                              |                          |
|---|--------------------------------|------------------------------|--------------------------|
|   | <u>General Fund</u>            | <u>Special Revenue Funds</u> | <u>Debt Service Fund</u> |
| <u>ASSETS</u>   |                                |                              |                          |
| Cash on hand and in bank  | \$ 42,192                      | \$ 290,765                   | \$ 100                   |
| Investments   | -                              | -                            | -                        |
| Investment in joint venture   | -                              | -                            | -                        |
| Receivables:  |                                |                              |                          |
| Delinquent taxes  | 46,867                         | 8,980                        | -                        |
| Accounts  | 2,508                          | -                            | -                        |
| Bond proceeds   | -                              | -                            | -                        |
| Notes   | -                              | 991,440                      | -                        |
| Due from other funds  | 74,111                         | 26,054                       | -                        |
| Due from component units  | -                              | -                            | -                        |
| Due from other governmental units   | 4,185                          | 9,289                        | -                        |
| Prepaid expense   | -                              | -                            | -                        |
| Restricted assets - cash  | -                              | -                            | -                        |
| Property, plant, and equipment  | -                              | -                            | -                        |
| Accumulated depreciation  | -                              | -                            | -                        |
| Construction in progress  | -                              | -                            | -                        |
| Investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority | -                              | -                            | -                        |
| Amount to be provided for retirement of general long-term debt              | -                              | -                            | -                        |
| <b>TOTAL ASSETS</b>   | <u>\$169,863</u>               | <u>\$1,326,528</u>           | <u>\$ 100</u>            |
| <u>LIABILITIES AND FUND EQUITY</u>  |                                |                              |                          |
| <u>LIABILITIES</u>  |                                |                              |                          |
| Accounts payable  | \$ 20,333                      | \$ 1,023                     | \$ -                     |
| Cash overdraft  | -                              | 10,049                       | -                        |
| Accrued interest payable  | -                              | -                            | -                        |
| Installment contract payable  | -                              | -                            | -                        |
| Due to other funds  | 56,787                         | 21,172                       | -                        |
| Due to primary government   | -                              | -                            | -                        |
| Due to other governmental units   | -                              | -                            | -                        |
| Customer deposits   | -                              | -                            | -                        |
| Bonds payable   | -                              | -                            | -                        |
| Accrued vacation and sick leave   | -                              | -                            | -                        |
| Deferred revenue  | 46,867                         | 996,125                      | -                        |
| <b>TOTAL LIABILITIES</b>  | <u>\$123,987</u>               | <u>\$1,028,369</u>           | <u>\$ -</u>              |
| <u>FUND EQUITY</u>  |                                |                              |                          |
| Contributed capital   | \$ -                           | \$ -                         | \$ -                     |
| Investments in fixed assets   | -                              | -                            | -                        |
| Retained earnings   | -                              | -                            | -                        |
| Unreserved  | -                              | -                            | -                        |
| Reserved for revenue bond retirement  | -                              | -                            | -                        |
| Fund balances   | 45,876                         | 298,159                      | 100                      |
| <b>TOTAL FUND EQUITY</b>  | <u>\$ 45,876</u>               | <u>\$ 298,159</u>            | <u>\$ 100</u>            |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b>                                    | <u>\$169,863</u>               | <u>\$1,326,528</u>           | <u>\$ 100</u>            |

The accompanying notes to financial statements are an integral part of this statement.

| Proprietary Fund Types |                             | Account Groups             |                              | Total<br>(Memorandum<br>Only) | Discrete<br>Component<br>Unit |
|------------------------|-----------------------------|----------------------------|------------------------------|-------------------------------|-------------------------------|
| Enterprise<br>Funds    | Internal<br>Service<br>Fund | General<br>Fixed<br>Assets | General<br>Long-Term<br>Debt | Primary<br>Government         |                               |
| \$ 606,606             | \$ 64,225                   | \$ -                       | \$ -                         | \$ 1,003,888                  | \$ 405,290                    |
| 177,606                | -                           | -                          | -                            | 177,606                       | -                             |
| 108,092                | -                           | -                          | -                            | 108,092                       | -                             |
| -                      | -                           | -                          | -                            | 55,847                        | -                             |
| 25,273                 | -                           | -                          | -                            | 27,781                        | 960                           |
| -                      | -                           | -                          | -                            | -                             | -                             |
| -                      | -                           | -                          | -                            | 991,440                       | -                             |
| 27,396                 | 17,762                      | -                          | -                            | 145,323                       | -                             |
| 3,000                  | -                           | -                          | -                            | 3,000                         | -                             |
| 237,994                | 7,718                       | -                          | -                            | 259,186                       | 75,000                        |
| -                      | -                           | -                          | -                            | -                             | 3,090                         |
| 174,822                | -                           | -                          | -                            | 174,822                       | -                             |
| 5,447,826              | 507,132                     | 2,992,674                  | -                            | 8,947,632                     | -                             |
| ( 2,440,756)           | ( 295,691)                  | -                          | -                            | ( 2,736,447)                  | -                             |
| 2,915,570              | -                           | -                          | -                            | 2,915,570                     | -                             |
| 2,639,490              | -                           | -                          | -                            | 2,639,490                     | -                             |
| -                      | -                           | -                          | 305,820                      | 305,820                       | -                             |
| <u>\$9,922,919</u>     | <u>\$301,146</u>            | <u>\$2,992,674</u>         | <u>\$ 305,820</u>            | <u>\$15,019,050</u>           | <u>\$ 484,340</u>             |
| \$ 203,748             | \$ 1,486                    | \$ -                       | \$ -                         | \$ 226,590                    | \$ 250                        |
| 38,469                 | -                           | -                          | -                            | 48,518                        | -                             |
| 16,359                 | -                           | -                          | -                            | 16,359                        | -                             |
| -                      | 22,687                      | -                          | 267,433                      | 290,120                       | -                             |
| 64,041                 | 3,323                       | -                          | -                            | 145,323                       | -                             |
| -                      | -                           | -                          | -                            | -                             | 3,000                         |
| -                      | -                           | -                          | -                            | -                             | 94,787                        |
| 31,510                 | -                           | -                          | -                            | 31,510                        | -                             |
| 1,920,000              | -                           | -                          | -                            | 1,920,000                     | -                             |
| -                      | -                           | -                          | 38,387                       | 38,387                        | -                             |
| -                      | 3,089                       | -                          | -                            | 1,046,081                     | 75,000                        |
| <u>\$2,274,127</u>     | <u>\$ 30,585</u>            | <u>\$ -</u>                | <u>\$ 305,820</u>            | <u>\$ 3,762,888</u>           | <u>\$ 173,037</u>             |
| \$6,150,681            | \$ 94,556                   | \$ -                       | \$ -                         | \$ 6,245,237                  | \$ -                          |
| -                      | -                           | 2,992,674                  | -                            | 2,992,674                     | -                             |
| 1,370,173              | -                           | -                          | -                            | 1,370,173                     | -                             |
| 127,938                | -                           | -                          | -                            | 127,938                       | -                             |
| -                      | 176,005                     | -                          | -                            | 520,140                       | 311,303                       |
| <u>\$7,648,792</u>     | <u>\$270,561</u>            | <u>\$2,992,674</u>         | <u>\$ -</u>                  | <u>\$11,256,162</u>           | <u>\$ 311,303</u>             |
| <u>\$9,922,919</u>     | <u>\$301,146</u>            | <u>\$2,992,674</u>         | <u>\$ 305,820</u>            | <u>\$15,019,050</u>           | <u>\$ 484,340</u>             |



Totals  
(Memorandum Only)  
Reporting Entity

| <u>2004</u>         | <u>2003</u>         |
|---------------------|---------------------|
| \$ 1,409,178        | \$ 1,678,129        |
| 177,606             | -                   |
| 108,092             | -                   |
| 55,847              | 30,053              |
| 28,741              | 65,064              |
| -                   | 198,900             |
| 991,440             | 1,009,068           |
| 145,323             | 135,515             |
| 3,000               | 3,000               |
| 334,186             | 186,977             |
| 3,090               | 3,089               |
| 174,822             | 169,673             |
| 8,947,632           | 7,831,498           |
| ( 2,736,447)        | ( 2,493,733)        |
| 2,915,570           | 862,380             |
| 2,639,490           | 2,721,948           |
| <u>305,820</u>      | <u>350,952</u>      |
| <u>\$15,503,390</u> | <u>\$12,752,513</u> |

|                     |                     |
|---------------------|---------------------|
| \$ 226,840          | \$ 129,713          |
| 48,518              | 9,284               |
| 16,359              | 12,772              |
| 290,120             | 366,209             |
| 145,323             | 135,515             |
| 3,000               | 3,000               |
| 94,787              | 94,787              |
| 31,510              | 33,235              |
| 1,920,000           | 973,000             |
| 38,387              | 43,364              |
| <u>1,121,081</u>    | <u>1,060,367</u>    |
| <u>\$ 3,935,925</u> | <u>\$ 2,861,246</u> |

|                     |                     |
|---------------------|---------------------|
| \$ 6,245,237        | \$ 4,780,741        |
| 2,992,674           | 2,948,139           |
| 1,370,173           | 1,274,879           |
| 127,938             | 120,855             |
| <u>906,443</u>      | <u>766,653</u>      |
| <u>\$11,567,465</u> | <u>\$ 9,891,267</u> |
| <u>\$15,503,390</u> | <u>\$12,752,513</u> |

VILLAGE OF BARAGA, MICHIGAN

ALL GOVERNMENTAL FUND TYPES AND COMPONENT UNITS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year ended February 29, 2004

|   | <u>Governmental Fund Types</u> |                                      |                                   |
|---|--------------------------------|--------------------------------------|-----------------------------------|
|   | <u>General<br/>Fund</u>        | <u>Special<br/>Revenue<br/>Funds</u> | <u>Debt<br/>Service<br/>Funds</u> |
| Revenues:   |                                |                                      |                                   |
| General property taxes  | \$ 114,496                     | \$ 37,141                            | \$ -                              |
| Intergovernmental revenues  | 153,659                        | 117,416                              | -                                 |
| Service charges   | 7,416                          | -                                    | -                                 |
| Other   | <u>538,230</u>                 | <u>166,109</u>                       | <u>-</u>                          |
| TOTAL REVENUES  | <u>\$ 813,801</u>              | <u>\$320,666</u>                     | <u>\$ -</u>                       |
| Expenditures:   |                                |                                      |                                   |
| General government  | \$ 147,046                     | \$ 3,354                             | \$ -                              |
| Public safety   | 246,755                        | -                                    | -                                 |
| Public works  | 288,588                        | -                                    | -                                 |
| Health and welfare  | 23,300                         | -                                    | -                                 |
| Economic development  | -                              | 100,000                              | -                                 |
| Culture and recreation  | 25,140                         | 10,355                               | -                                 |
| Streets:  |                                |                                      |                                   |
| Construction  | -                              | -                                    | -                                 |
| Surface maintenance   | -                              | 100,595                              | -                                 |
| Winter maintenance  | -                              | 66,527                               | -                                 |
| Traffic services  | -                              | 4,275                                | -                                 |
| Debt service:   |                                |                                      |                                   |
| Principal retirement  | -                              | -                                    | -                                 |
| Interest expense  | -                              | -                                    | -                                 |
| Other   | <u>479,515</u>                 | <u>1,485</u>                         | <u>-</u>                          |
| TOTAL EXPENDITURES  | <u>\$1,210,344</u>             | <u>\$286,591</u>                     | <u>\$ -</u>                       |
| EXCESS OF REVENUES (EXPENDITURES)                                     | <u>(\$ 396,543)</u>            | <u>\$ 34,075</u>                     | <u>\$ -</u>                       |
| Other financing sources (uses):                                       |                                |                                      |                                   |
| Operating transfers from other funds                                  | \$ 408,000                     | \$ 66,982                            | \$ -                              |
| Operating transfers to other funds                                    | -                              | ( 26,682)                            | -                                 |
| Operating transfers from component units                              | 5,000                          | -                                    | -                                 |
| Operating transfers to component units                                | ( 59,549)                      | ( 10,908)                            | -                                 |
| Operating transfers from primary government                           | -                              | -                                    | -                                 |
| Operating transfers to primary government                             | -                              | -                                    | -                                 |
| TOTAL OTHER FINANCING SOURCES (USES)                                  | <u>\$ 353,451</u>              | <u>\$ 29,392</u>                     | <u>\$ -</u>                       |
| EXCESS OF REVENUES AND OTHER SOURCES<br>(EXPENDITURES AND OTHER USES) | <u>(\$ 43,092)</u>             | <u>\$ 63,467</u>                     | <u>\$ -</u>                       |
| Fund balance, beginning of year                                       | <u>88,968</u>                  | <u>234,692</u>                       | <u>100</u>                        |
| FUND BALANCE, END OF YEAR   | <u>\$ 45,876</u>               | <u>\$298,159</u>                     | <u>\$ 100</u>                     |

The accompanying notes to financial statements are an integral part of this statement.

| Total<br>(Memorandum<br>Only)<br>Primary<br>Government | Discrete<br>Component<br>Units | Totals<br>(Memorandum Only)<br>Reporting Entity |                    |
|--|--------------------------------|---|--------------------|
|  |                                | 2004  | 2003               |
| \$ 151,637   | \$ -                           | \$ 151,637                                      | \$ 147,879         |
| 271,075  | -                              | 271,075   | 379,684            |
| 7,416  | -                              | 7,416   | 8,775              |
| <u>704,339</u>   | <u>4,697</u>                   | <u>709,036</u>                                  | <u>738,927</u>     |
| <u>\$1,134,467</u>                                     | <u>\$ 4,697</u>                | <u>\$1,139,164</u>                              | <u>\$1,275,265</u> |
| \$ 150,400   | \$ 1,165                       | \$ 151,565                                      | \$ 152,899         |
| 246,755  | -                              | 246,755   | 477,277            |
| 288,588  | -                              | 288,588   | 57,177             |
| 23,300   | -                              | 23,300  | 22,966             |
| 100,000  | -                              | 100,000   | 95,000             |
| 35,495   | 35,310                         | 70,805  | 57,237             |
| -  | -                              | -   | 5,875              |
| 100,595  | -                              | 100,595   | 39,742             |
| 66,527   | -                              | 66,527  | 112,136            |
| 4,275  | -                              | 4,275   | 1,375              |
| -  | -                              | -   | -                  |
| -  | -                              | -   | -                  |
| <u>481,000</u>   | <u>-</u>                       | <u>481,000</u>                                  | <u>438,624</u>     |
| <u>\$1,496,935</u>                                     | <u>\$ 36,475</u>               | <u>\$1,533,410</u>                              | <u>\$1,460,308</u> |
| (\$ 362,468)   | (\$ 31,778)                    | (\$ 394,246)                                    | (\$ 185,043)       |
| \$ 474,982   | \$ -                           | \$ 474,982                                      | \$ 385,026         |
| ( 26,682)  | -                              | ( 26,682)                                       | ( 24,826)          |
| 5,000  | -                              | 5,000   | 5,000              |
| ( 70,457)  | -                              | ( 70,457)                                       | ( 43,250)          |
| -  | 70,457                         | 70,457  | 43,250             |
| -  | ( 5,000)                       | ( 5,000)  | ( 5,000)           |
| <u>\$ 382,843</u>                                      | <u>\$ 65,457</u>               | <u>\$ 448,300</u>                               | <u>\$ 360,200</u>  |
| \$ 20,375  | \$ 33,679                      | \$ 54,054                                       | \$ 175,157         |
| <u>323,760</u>   | <u>277,624</u>                 | <u>601,384</u>                                  | <u>426,227</u>     |
| <u>\$ 344,135</u>                                      | <u>\$ 311,303</u>              | <u>\$ 655,438</u>                               | <u>\$ 601,384</u>  |

VILLAGE OF BARAGA, MICHIGAN

GENERAL AND SPECIAL REVENUE FUND TYPES  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL

Year ended February 29, 2004

|   | <u>General Fund</u> |                     |                                    |
|---|---------------------|---------------------|------------------------------------|
|   | <u>Budget</u>       | <u>Actual</u>       | <u>Favorable<br/>(Unfavorable)</u> |
| Revenues:   |                     |                     |                                    |
| General property taxes  | \$ 143,300          | \$ 114,496          | (\$ 28,804)                        |
| Intergovernmental revenues  | 176,500             | 153,659             | ( 22,841)                          |
| Service charges   | 8,000               | 7,416               | ( 584)                             |
| Other   | <u>157,300</u>      | <u>538,230</u>      | <u>380,930</u>                     |
| TOTAL REVENUES  | <u>\$ 485,100</u>   | <u>\$ 813,801</u>   | <u>\$328,701</u>                   |
| Expenditures:   |                     |                     |                                    |
| General government  | \$ 127,800          | \$ 147,046          | (\$ 19,246)                        |
| Public safety   | 201,500             | 246,755             | ( 45,255)                          |
| Public works  | 104,100             | 288,588             | ( 184,488)                         |
| Health and welfare  | 4,000               | 23,300              | ( 19,300)                          |
| Economic development  | -                   | -                   | -                                  |
| Culture and recreation  | 19,100              | 25,140              | ( 6,040)                           |
| Streets:  |                     |                     |                                    |
| Construction  | -                   | -                   | -                                  |
| Surface maintenance   | -                   | -                   | -                                  |
| Winter maintenance  | -                   | -                   | -                                  |
| Traffic services  | -                   | -                   | -                                  |
| Other   | <u>334,800</u>      | <u>479,515</u>      | <u>( 144,715)</u>                  |
| TOTAL EXPENDITURES  | <u>\$ 791,300</u>   | <u>\$1,210,344</u>  | <u>(\$419,044)</u>                 |
| EXCESS OF REVENUES (EXPENDITURES)                                     | <u>(\$ 306,200)</u> | <u>(\$ 396,543)</u> | <u>(\$ 90,343)</u>                 |
| Other financing sources (uses):                                       |                     |                     |                                    |
| Operating transfers from other funds                                  | \$ 365,700          | \$ 408,000          | \$ 42,300                          |
| Operating transfers to other funds                                    | -                   | -                   | -                                  |
| Operating transfers from component units                              | 5,000               | 5,000               | -                                  |
| Operating transfers to component units                                | <u>( 30,000)</u>    | <u>( 59,549)</u>    | <u>( 29,549)</u>                   |
| TOTAL OTHER FINANCING SOURCES (USES)                                  | <u>\$ 340,700</u>   | <u>\$ 353,451</u>   | <u>\$ 12,751</u>                   |
| EXCESS OF REVENUES AND OTHER SOURCES<br>(EXPENDITURES AND OTHER USES) | <u>\$ 34,500</u>    | <u>(\$ 43,092)</u>  | <u>(\$ 77,592)</u>                 |
| Fund balance, beginning of year                                       | <u>88,968</u>       | <u>88,968</u>       | <u>-</u>                           |
| FUND BALANCE, END OF YEAR   | <u>\$ 123,468</u>   | <u>\$ 45,876</u>    | <u>(\$ 77,592)</u>                 |

The accompanying notes to financial statements  
are an integral part of this statement.

## Special Revenue Funds

| Budget             | Actual           | Favorable<br>(Unfavorable) |
|--------------------|------------------|----------------------------|
| \$ 27,000          | \$ 37,141        | \$ 10,141                  |
| 90,000             | 117,416          | 27,416                     |
| -                  | -                | -                          |
| <u>110,000</u>     | <u>166,109</u>   | <u>56,109</u>              |
| <u>\$227,000</u>   | <u>\$320,666</u> | <u>\$ 93,666</u>           |
| <br>               |                  |                            |
| \$ 20,700          | \$ 3,354         | \$ 17,346                  |
| -                  | -                | -                          |
| -                  | -                | -                          |
| -                  | -                | -                          |
| 90,000             | 100,000          | ( 10,000)                  |
| 9,900              | 10,355           | ( 455)                     |
| <br>               |                  |                            |
| 20,000             | -                | 20,000                     |
| 34,900             | 100,595          | ( 65,695)                  |
| 40,500             | 66,527           | ( 26,027)                  |
| 1,600              | 4,275            | ( 2,675)                   |
| -                  | 1,485            | ( 1,485)                   |
| <u>\$217,600</u>   | <u>\$286,591</u> | <u>(\$ 68,991)</u>         |
| <u>\$ 9,400</u>    | <u>\$ 34,075</u> | <u>\$ 24,675</u>           |
| <br>               |                  |                            |
| \$ 27,000          | \$ 66,982        | \$ 39,982                  |
| ( 37,000)          | ( 26,682)        | 10,318                     |
| -                  | -                | -                          |
| -                  | ( 10,908)        | ( 10,908)                  |
| <u>(\$ 10,000)</u> | <u>\$ 29,392</u> | <u>\$ 39,392</u>           |
| <br>               |                  |                            |
| (\$ 600)           | \$ 63,467        | \$ 64,067                  |
| <u>234,692</u>     | <u>234,692</u>   | <u>-</u>                   |
| <u>\$234,092</u>   | <u>\$298,159</u> | <u>\$ 64,067</u>           |

## Debt Service Funds

| Budget        | Actual        | Favorable<br>(Unfavorable) |
|---------------|---------------|----------------------------|
| \$ -          | \$ -          | \$ -                       |
| -             | -             | -                          |
| -             | -             | -                          |
| -             | -             | -                          |
| <u>-</u>      | <u>-</u>      | <u>-</u>                   |
| <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>                |
| <br>          |               |                            |
| \$ -          | \$ -          | \$ -                       |
| -             | -             | -                          |
| -             | -             | -                          |
| -             | -             | -                          |
| -             | -             | -                          |
| -             | -             | -                          |
| <u>-</u>      | <u>-</u>      | <u>-</u>                   |
| <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>                |
| <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>                |
| <br>          |               |                            |
| \$ -          | \$ -          | \$ -                       |
| -             | -             | -                          |
| <u>-</u>      | <u>-</u>      | <u>-</u>                   |
| <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>                |
| <br>          |               |                            |
| \$ -          | \$ -          | \$ -                       |
| -             | -             | -                          |
| <u>100</u>    | <u>100</u>    | <u>-</u>                   |
| <u>\$ 100</u> | <u>\$ 100</u> | <u>\$ -</u>                |

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUND TYPES  
COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS

Year ended February 29, 2004

|                               |                    | Internal         | Totals<br>(Memorandum Only) |                    |
|-------------------------------|--------------------|------------------|-----------------------------|--------------------|
|                               | Enterprise         | Service          | 2004                        | 2003               |
|                               | Funds              | Fund             |                             |                    |
| Operating revenues -          |                    |                  |                             |                    |
| Charges for services          | <u>\$1,943,998</u> | <u>\$101,620</u> | <u>\$2,045,618</u>          | <u>\$2,003,279</u> |
| Operating expenses:           |                    |                  |                             |                    |
| Salaries and wages            | \$ 236,407         | \$ 10,540        | \$ 246,947                  | \$ 257,434         |
| Vacation, holiday             |                    |                  |                             |                    |
| and sick pay                  | 19,714             | 783              | 20,497                      | 30,339             |
| Payroll taxes                 | 21,289             | 806              | 22,095                      | 20,586             |
| Retirement plan               | 40,782             | 1,620            | 42,402                      | 44,073             |
| Hospitalization insurance     | 75,835             | 3,012            | 78,847                      | 56,694             |
| Power purchased               | 735,065            | -                | 735,065                     | 848,894            |
| Office supplies and postage   | 2,116              | -                | 2,116                       | 1,106              |
| Operating supplies            | 54,518             | 10,538           | 65,056                      | 61,789             |
| Repairs and maintenance       | 6,761              | 18,467           | 25,228                      | 34,923             |
| Equipment rental              | 17,729             | -                | 17,729                      | 20,329             |
| Sales tax                     | 23,856             | -                | 23,856                      | 21,695             |
| Utilities                     | 20,734             | -                | 20,734                      | 18,373             |
| Insurance and bonds           | 6,982              | 395              | 7,377                       | 4,528              |
| Contracted services           | 31,782             | 25               | 31,807                      | 31,537             |
| Provision for depreciation    | 204,043            | 40,587           | 244,630                     | 235,733            |
| Miscellaneous                 | <u>2,383</u>       | <u>959</u>       | <u>3,342</u>                | <u>6,419</u>       |
| TOTAL OPERATING EXPENSES      | <u>\$1,499,996</u> | <u>\$ 87,732</u> | <u>\$1,587,728</u>          | <u>\$1,694,452</u> |
| OPERATING INCOME              | \$ 444,002         | \$ 13,888        | \$ 457,890                  | \$ 308,827         |
| NON-OPERATING REVENUES        |                    |                  |                             |                    |
| (EXPENSES)                    | ( 102,331)         | ( 3,152)         | ( 105,483)                  | ( 173,947)         |
| INCOME BEFORE OPERATING       |                    |                  |                             |                    |
| TRANSFERS                     | \$ 341,671         | \$ 10,736        | \$ 352,407                  | \$ 134,880         |
| OPERATING TRANSFERS IN (OUT)  | ( 448,300)         | -                | ( 448,300)                  | ( 360,200)         |
| NET INCOME (LOSS)             | (\$ 106,629)       | \$ 10,736        | (\$ 95,893)                 | (\$ 225,320)       |
| Add depreciation on fixed     |                    |                  |                             |                    |
| assets acquired by federal    |                    |                  |                             |                    |
| and state grants which        |                    |                  |                             |                    |
| reduce contributed capital    | <u>209,006</u>     | <u>-</u>         | <u>209,006</u>              | <u>203,771</u>     |
| INCREASE IN RETAINED EARNINGS | \$ 102,377         | \$ 10,736        | \$ 113,113                  | (\$ 21,549)        |
| Retained earnings,            |                    |                  |                             |                    |
| March 1, 2003                 | <u>1,395,734</u>   | <u>165,269</u>   | <u>1,561,003</u>            | <u>1,582,552</u>   |
| RETAINED EARNINGS             |                    |                  |                             |                    |
| FEBRUARY 29, 2004             | <u>\$1,498,111</u> | <u>\$176,005</u> | <u>\$1,674,116</u>          | <u>\$1,561,003</u> |

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUND TYPES  
 COMBINED STATEMENT OF CASH FLOWS  
 Year ended February 29, 2004

|   |                     |                             | Totals<br>(Memorandum Only) |                    |
|---|---------------------|-----------------------------|-----------------------------|--------------------|
|   | Enterprise<br>Funds | Internal<br>Service<br>Fund | 2004                        | 2003               |
| <u>CASH FLOWS PROVIDED BY</u>   |                     |                             |                             |                    |
| <u>(USED IN) OPERATING ACTIVITIES</u>   |                     |                             |                             |                    |
| Operating income  | \$ 444,002          | \$ 13,888                   | \$ 457,890                  | \$308,827          |
| Adjustments to reconcile<br>net income to net cash<br>provided by operating<br>activities - |                     |                             |                             |                    |
| Depreciation  | 204,043             | 40,587                      | 244,630                     | 235,733            |
| Changes in assets and<br>liabilities:   |                     |                             |                             |                    |
| Accounts receivable<br>(increase) decrease  | 16,140              | 99                          | 16,239                      | ( 28,460)          |
| Bonds receivable<br>(increase) decrease   | 198,900             | -                           | 198,900                     | ( 198,900)         |
| Due from other<br>governmental units<br>(increase) decrease                                 | ( 135,512)          | ( 489)                      | ( 136,001)                  | ( 14,837)          |
| Deferred revenue increase<br>(decrease)   | ( 22,975)           | -                           | ( 22,975)                   | -                  |
| Accounts payable increase<br>(decrease)   | 106,843             | ( 1,208)                    | 105,635                     | 21,679             |
| Accrued interest payable<br>increase (decrease)   | <u>3,587</u>        | <u>-</u>                    | <u>3,587</u>                | <u>1,904</u>       |
| CASH FLOWS PROVIDED<br>BY (USED IN)   |                     |                             |                             |                    |
| OPERATING ACTIVITIES  | <u>\$ 815,028</u>   | <u>\$ 52,877</u>            | <u>\$ 867,905</u>           | <u>\$325,946</u>   |
| <u>CASH FLOWS PROVIDED BY (USED IN)</u>   |                     |                             |                             |                    |
| <u>NONCAPITAL FINANCING ACTIVITIES</u>  |                     |                             |                             |                    |
| Due from other funds<br>(increase) decrease   | (\$ 10,679)         | \$ 14,109                   | \$ 3,430                    | (\$ 22,601)        |
| Due to other funds<br>increase (decrease)   | ( 8,400)            | 2,741                       | ( 5,659)                    | 31,782             |
| Transfers to other funds  | <u>( 448,300)</u>   | <u>-</u>                    | <u>( 448,300)</u>           | <u>( 360,200)</u>  |
| CASH FLOWS PROVIDED BY<br>(USED IN) NONCAPITAL<br>FINANCING ACTIVITIES                      | <u>(\$ 467,379)</u> | <u>\$ 16,850</u>            | <u>(\$ 450,529)</u>         | <u>(\$351,019)</u> |
| SUBTOTALS   | <u>\$ 347,649</u>   | <u>\$ 69,727</u>            | <u>\$ 417,376</u>           | <u>(\$ 25,073)</u> |

The accompanying notes to financial statements  
 are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUND TYPES (CONTINUED)  
COMBINED STATEMENT OF CASH FLOWS  
Year ended February 29, 2004

|  | Enterprise<br>Funds | Internal<br>Service<br>Fund | Totals<br>(Memorandum Only) |              |
|--|---------------------|-----------------------------|-----------------------------|--------------|
|  |                     |                             | 2004                        | 2003         |
| SUBTOTAL (PREVIOUS PAGE)   | \$ 347,649          | \$ 69,727                   | \$ 417,376                  | (\$ 25,073)  |
| <u>CASH FLOWS PROVIDED BY</u><br><u>(USED IN) CAPITAL AND</u><br><u>RELATED FINANCING ACTIVITIES</u> |                     |                             |                             |              |
| Restricted assets  |                     |                             |                             |              |
| (increase) decrease  | (\$ 5,149)          | \$ -                        | (\$ 5,149)                  | \$ 94,729    |
| Acquisition of property,<br>plant, and equipment   | (1,014,518)         | ( 58,996)                   | ( 1,073,514)                | ( 171,625)   |
| Construction in process  | (2,053,190)         | -                           | ( 2,053,190)                | ( 101,316)   |
| Bond proceeds  | 975,000             | -                           | 975,000                     | 326,000      |
| Contributed capital  | 1,673,501           | -                           | 1,673,501                   | -            |
| Payments on long-term<br>debt  | ( 28,000)           | ( 35,934)                   | ( 63,934)                   | ( 60,020)    |
| Interest paid  | ( 44,518)           | ( 3,257)                    | ( 47,775)                   | ( 39,965)    |
| Proceeds from disposal<br>of property, plant and<br>equipment  | -                   | 105                         | 105                         | 6,431        |
| CASH FLOWS PROVIDED<br>BY (USED IN)<br>CAPITAL AND RELATED<br>FINANCING ACTIVITIES                   | (\$ 496,874)        | (\$ 98,082)                 | (\$ 594,956)                | \$ 54,234    |
| <u>CASH FLOWS PROVIDED BY</u><br><u>(USED IN) INVESTING ACTIVITIES</u>                               |                     |                             |                             |              |
| Interest received on<br>investments  | \$ 24,644           | \$ -                        | \$ 24,644                   | \$ 19,698    |
| Investments (increase)<br>decrease   | ( 177,606)          | -                           | ( 177,606)                  | -            |
| Investment in joint venture<br>(increase) decrease   | ( 108,092)          | -                           | ( 108,092)                  | -            |
| CASH FLOWS PROVIDED BY<br>(USED IN) INVESTING<br>ACTIVITIES  | (\$ 261,054)        | \$ -                        | (\$ 261,054)                | \$ 196,698   |
| NET INCREASE<br>(DECREASE) IN CASH   | (\$ 410,279)        | (\$ 28,355)                 | (\$ 438,634)                | \$ 48,859    |
| Cash at March 1, 2003  | 978,416             | 92,579                      | 1,070,995                   | 1,022,136    |
| Cash at February 29, 2004  | \$ 568,137          | \$ 64,224                   | \$ 632,361                  | \$ 1,070,995 |

The accompanying notes to financial statements  
are an integral part of this statement.



VILLAGE OF BARAGA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
Year ended February 29, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Baraga conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. Financial Reporting Entity

In accordance with the provisions of the Government Accounting Standards Board Statement No. 14 entitled "The Financial Reporting Entity", a governmental financial reporting entity consists of a primary government, such as a general purpose local government, and component units, which are defined as units for which the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of a component unit's governing body, and there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationships with the Village.

Blended Component Units

Village of Baraga Building Authority - The Village of Baraga Building Authority is a public corporation organized and existing under the authority of Act 31, Public Acts of Michigan 1948 and is governed by a three member board appointed by the Village Council. For financial reporting purposes, the Building Authority is reported as if it were part of the Village's operations because its purpose is to acquire and lease a municipal building to the Village. The assets of the Building Authority are presented in the General Fixed Asset Group of Accounts.

Discretely Presented Component Units

Village of Baraga Downtown Development Authority - The Village of Baraga Downtown Development Authority is an entity created by the Village of Baraga on October 22, 1984, pursuant to Public Act 197 of 1975 and is governed by a board appointed by the Village Council. For financial reporting purposes, the Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the Village.

Component Units Not Presented

Village of Baraga Housing Commission - The Village of Baraga Housing Commission is not included in the financial statements as explained in Note S.

Jointly Governed Organizations

Upper Peninsula Public Power Agency - On June 9, 2003, the Village resolved to join the Upper Peninsula Public Power Agency (UPPPA), a

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Michigan municipal corporation organized under the Michigan Energy Employment Act of 1976. The UPPPA is a joint action agency, comprised of several municipalities in the Upper Peninsula of Michigan. The UPPPA was organized to invest in the American Transmission Company, a Wisconsin based entity, created by the Wisconsin legislature in order to own all of the electric transmission assets in the State of Wisconsin. The Village investment in the agency is included in the Electric Fund's financial statements using the cost method of accounting.

Unaudited financial information for the joint venture as of December 30, 2003:

|   |                    |
|---|--------------------|
| Total assets                            | <u>\$2,322,969</u> |
| Liabilities:                            |                    |
| Current liabilities                     | \$ 611             |
| Long-term liabilities                   | <u>-</u>           |
|   | \$ 611             |
| Total equity                            | <u>2,322,358</u>   |
|   | <u>\$2,322,969</u> |
| Total revenues                          | \$ 700             |
| Total expenditures                      | <u>626</u>         |
| INCREASE IN FUND EQUITY FROM OPERATIONS | \$ 74              |
| Equity contributions                    | <u>2,322,284</u>   |
| TOTAL INCREASE IN FUND EQUITY           | <u>\$2,322,358</u> |

#### 2. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, as follows:

##### Governmental Funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (continued)

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods and services provided by one department or agency of the governmental unit to other departments or agencies of the governmental unit.

Account Groups:

General Fixed Asset Account Group - This account group presents property, plant, and equipment of the local unit utilized in its general operations.

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt which is not recorded in the proprietary funds.

3. Basis of Accounting

Basis of Accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

4. Property, Plant, Equipment and Long-Term Liabilities

The accounting and reporting treatment applied to the property, plant and equipment associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, Equipment and Long-Term Liabilities (continued)

Property, plant, and equipment used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. All property, plant, and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible property, plant, and equipment used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Property, plant, and equipment and their related accumulated depreciation, by fund, are as follows:

| <u>Fund</u>                    | <u>Cost</u> | <u>Accumulated<br/>Depreciation</u> | <u>Current<br/>Depreciation</u> | <u>Estimated<br/>Years</u> |
|--------------------------------|-------------|-------------------------------------|---------------------------------|----------------------------|
| Water - distribution system    | \$4,044,165 | \$ 1,563,895                        | \$ 130,741                      | 15-35                      |
| Water - equipment              | 66,699      | 40,838                              | 5,521                           | 5-10                       |
| Sewer - computer equipment     | 8,480       | 7,322                               | 231                             | 5-10                       |
| Electric - distribution system | 1,251,407   | 770,161                             | 60,674                          | 10-20                      |
| Electric - equipment           | 77,074      | 58,540                              | 6,883                           | 5-10                       |
| Motor Vehicle - equipment      | 507,132     | 295,691                             | 40,587                          | 5-20                       |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. In January, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayer comments.
- c. Prior to March 1, the budget is legally enacted by resolution.
- d. The Village Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- f. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
- g. Budget appropriations lapse at the end of each fiscal year.
- h. Budgeted amounts are as originally adopted, or as amended by the Village Council.

6. Cash

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Village of Baraga, Michigan.

7. Inventory

Inventories are not significant and have not been recognized in any of the funds.

8. Due from Other Funds

Due from other funds represent current interfund loans receivable and are considered "available spendable resources".

9. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued in either the governmental or proprietary funds. At February 29, 2004, accumulated vacation pay and sick leave amounted to \$38,387. This amount is reflected in the General Long-Term Debt Account Group.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

10. Fund Balance/Retained Earnings Reserves

Fund balance reserves in the Debt Service Fund represent amounts set aside for future debt service payments.

Retained earnings reserves in the Proprietary Funds total \$127,938 which represents amounts restricted by ordinance for revenue bond retirement.

11. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - CASH/SURPLUS FUNDS

The Governmental Surplus Funds Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

|                                   | <u>Carrying Amounts</u>   |                       | <u>Total</u>       |
|-----------------------------------|---------------------------|-----------------------|--------------------|
|                                   | <u>Primary Government</u> | <u>Component Unit</u> |                    |
| Insured (FDIC)                    | \$1,116,439               | \$ 100,000            | \$1,216,439        |
| Uninsured and<br>Uncollateralized | 13,498                    | 305,290               | 318,788            |
| Total Deposits                    | <u>\$1,129,937</u>        | <u>\$ 405,290</u>     | <u>\$1,535,227</u> |
| <u>Bank Balances</u>              |                           |                       |                    |
| Insured (FDIC)                    | \$1,120,384               | \$ 100,000            | \$1,220,384        |
| Uninsured and<br>Uncollateralized | 13,498                    | 305,290               | 318,788            |
| Total Deposits                    | <u>\$1,133,882</u>        | <u>\$ 405,290</u>     | <u>\$1,539,172</u> |

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy as required by Act 196 PA 1997 has been adopted by the Board. The Village's deposits and investments are in accordance with statutory authority. All of the Village's surplus funds are in bank savings accounts and certificates of deposit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - NOTES RECEIVABLE

Notes receivable consist of:

Economic development loan to Gitchee Gume, Inc.  
which is to be repaid in monthly installments of \$681  
beginning in November of 1995 including interest computed  
at 6.5% \$ 48,135

Economic development loan to Jerry Bugni of Lakeside Auto  
which is to be repaid in monthly installments of \$362.90  
beginning in December of 1999 including interest computed  
at 7.0% 42,225

Small Cities funds loaned to Keweenaw Bay Developers  
Limited Partnership which is to be repaid in monthly  
installments of \$1,750 through September of 1989 at  
which time payments increased to \$2,326. Payments  
include interest computed at 7% 218,212

Urban Development Action Grant funds loaned to Keweenaw  
Bay Developers Limited Partnership which is to be repaid  
in monthly installments of \$1,814 beginning in October  
of 1992, including interest computed at 3% 202,023

Economic development loan to Van Straten Heated Tail Light  
Inc. which is to be repaid in monthly installments of \$253  
beginning in November of 1992, including interest computed  
at 6% 8,416

Economic development loan to Sheryl A. Hosking and  
Richard J. Hosking which is to be repaid in monthly  
installments of \$162 beginning in January of 1995,  
including interest computed at 7% 16,368

Economic development loan to Patrick H. McIntyre and  
Claudia McIntyre which is to be repaid in monthly  
installments of \$568 beginning in January of 1995,  
including interest computed at 6.5% 3,588

Economic development loan to Harold E. Mensch and  
Shirley A. Mensch which is to be repaid in monthly  
installments of \$539 beginning in January of 1995,  
including interest computed at 7% 30,935

Economic development loan to Gary and Jacqueline Loonsfoot  
which is to be repaid in monthly installments of \$500,  
including interest at 7%. The first installment was  
received in May of 2000 15,909

Economic development loan to Jerry Magnant and Kerry Varline  
which is to be repaid in monthly installments of \$674.12  
including interest at 7.0%. The first installment was  
received in September of 1999 62,399

Carried Forward \$ 648,210

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - NOTES RECEIVABLE (CONTINUED)

Balance Forward      \$    648,210

Economic development loan to Van Straten Brothers, Inc. which is to be repaid in monthly installments of \$1,331.90 including interest at 4.75%. The first installment was received in July of 2002 75,147

Economic development loan to James A. and Kristyn R. Gabe, and David A. and Brenda N. Meyers which is to be repaid in monthly installments of \$2,385.90 including interest at 7.0%. The first installment was received in June of 2001 172,142

Economic development loan to Larry's Market, Inc. which is to be repaid in monthly installments of \$1,048.48 including interest of 4.75%. The first installment was received in May of 2003 93,356

Housing rehabilitation loans to 5 individuals which are to be repaid in monthly installments of \$245 2,585

\$    991,440

NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of:

|                                   | <u>Description</u>     | <u>Amount</u>    |
|-----------------------------------|------------------------|------------------|
| Primary Government:               |                        |                  |
| Baraga Village/Keweenaw Bay       | Reimbursable           |                  |
| Reservation Waste Water Authority | expenses/deposits      | \$148,612        |
| USDA                              | Water Treatment Plant  |                  |
|                                   | Improvement Grant      | 97,100           |
| U.S. Bureau of Indian Affairs     | Rural Fire Assistance  | 4,185            |
| Baraga County                     | Current tax collection | <u>9,289</u>     |
|                                   |                        | <u>\$259,186</u> |
| Component Unit -                  |                        |                  |
| Baraga County                     | Captured property      |                  |
|                                   | tax                    | <u>\$ 75,000</u> |

NOTE E - ALLOWANCE FOR LOSSES ON RECEIVABLES

There is no allowance for uncollectible receivables recorded in the financial statements.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at February 29, 2004, consisted of:

| <u>Fund</u>                | <u>Interfund<br/>Receivable</u> | <u>Fund</u>   | <u>Interfund<br/>Payable</u> |
|----------------------------|---------------------------------|---------------|------------------------------|
| General                    | \$ 74,111                       | Motor Vehicle | \$ 2,485                     |
|                            |                                 | Water         | 46,507                       |
|                            |                                 | Revolving     | 4,278                        |
|                            |                                 | Local Street  | 7,175                        |
|                            |                                 | Major Street  | 4,712                        |
|                            |                                 | Electric      | 8,954                        |
| Subtotal                   | \$ 74,111                       | Subtotal      | \$ 74,111                    |
| Motor Vehicle<br>Equipment | \$ 17,762                       | Sewer         | \$ 2,538                     |
|                            |                                 | Waterfront    | 838                          |
|                            |                                 | Local Street  | 4,642                        |
|                            |                                 | Major Street  | 7,414                        |
|                            |                                 | Electric      | 2,330                        |
| Subtotal                   | \$ 17,762                       | Subtotal      | \$ 17,762                    |
| Waterfront                 | \$ 10,965                       | General       | \$ 4,165                     |
|                            |                                 | Electric      | 6,800                        |
| Subtotal                   | \$ 10,965                       | Subtotal      | \$ 10,965                    |
| Major Street               | \$ 5,288                        | General       | \$ 5,288                     |
| Local Street               | \$ 7,033                        | General       | \$ 33                        |
|                            |                                 | Electric      | 3,000                        |
|                            |                                 | Road          | 4,000                        |
| Subtotal                   | \$ 7,033                        | Subtotal      | \$ 7,033                     |
| Road                       | \$ 2,768                        | General       | \$ 768                       |
|                            |                                 | Electric      | 2,000                        |
| Subtotal                   | \$ 2,768                        | Subtotal      | \$ 2,768                     |
| Water                      | \$ 838                          | Motor Vehicle | \$ 838                       |
| Electric                   | \$ 12,982                       | General       | \$ 12,116                    |
|                            |                                 | Water         | 866                          |
| Subtotal                   | \$ 12,982                       | Subtotal      | \$ 12,982                    |
| Sewer                      | \$ 13,576                       | General       | \$ 13,576                    |
| Total                      | \$ 145,323                      | Total         | \$ 145,323                   |

The amounts of receivables and payables between primary government and component units at February 29, 2004 are as follows:

| <u>Component<br/>Unit</u> | <u>Receivable<br/>from<br/>Primary<br/>Government</u> | <u>Payable<br/>to<br/>Primary<br/>Government</u> | <u>Fund</u> | <u>Receivable<br/>from<br/>Component<br/>Unit</u> | <u>Payable<br/>to<br/>Component<br/>Unit</u> |
|---------------------------|---|--|-------------|---|--|
| DDA:<br>General           | \$ -  | \$ 3,000   | Electric    | \$ 3,000  | \$ -   |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - DUE TO OTHER GOVERNMENTAL UNITS

The Downtown Development Authority (a component unit of the Village of Baraga) owes \$94,787 to various units of government for excess captured tax dollars for the years 1995 through 1999. The excess is based on the amount of taxes captured over the \$40,000 eligible obligation for the building authority bond issue of 1993. The amount is computed as follows:

|                          | <u>1995</u> | <u>1996</u>     | <u>1997</u>     | <u>1998</u>     | <u>1999</u>     | <u>Total</u>     |
|--------------------------|-------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Captured taxes           | \$65,125    | \$68,923        | \$86,166        | \$54,689        | \$49,884        | \$324,787        |
| Less eligible obligation | ( 40,000)   | ( 40,000)       | ( 40,000)       | ( 40,000)       | ( 40,000)       | ( 200,000)       |
| Less repayments          | ( 25,125)   | ( 4,875)        | -               | -               | -               | ( 30,000)        |
| Excess                   | <u>\$ -</u> | <u>\$24,048</u> | <u>\$46,166</u> | <u>\$14,689</u> | <u>\$ 9,884</u> | <u>\$ 94,787</u> |

NOTE H - REVENUE BONDS PAYABLE

WATER SYSTEM IMPROVEMENT REVENUE BONDS PAYABLE

Water system improvement revenue bonds (denomination of \$1,000 each, \$360,000 original issue) dated January 1, 1971, mature annually on January 1 of each year through January 1, 2009. Interest is payable on January 1 and July 1 of each year at a rate of 4.75% per annum. Scheduled payments of principal and interest are listed below:

| <u>Fiscal<br/>Year Ending<br/>February</u> | <u>Interest<br/>July 1</u> | <u>Interest<br/>January 1</u> | <u>Principal<br/>January 1</u> | <u>Total</u>     |
|--|----------------------------|-------------------------------|--------------------------------|------------------|
| 2005                                       | \$ 1,947                   | \$ 1,947                      | \$ 16,000                      | \$ 19,894        |
| 2006                                       | 1,568                      | 1,567                         | 16,000                         | 19,135           |
| 2007                                       | 1,188                      | 1,187                         | 16,000                         | 18,375           |
| 2008                                       | 808                        | 807                           | 17,000                         | 18,615           |
| 2009                                       | <u>404</u>                 | <u>404</u>                    | <u>17,000</u>                  | <u>17,808</u>    |
| Totals                                     | <u>\$ 5,915</u>            | <u>\$ 5,912</u>               | <u>\$ 82,000</u>               | <u>\$ 93,827</u> |

Ordinance Number 107 requires that a bond reserve account be established and maintained at a \$22,000 level. The Village has complied with this requirement as there is \$36,830 in this account at February 29, 2004.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - REVENUE BONDS PAYABLE (CONTINUED)

2002 KBIC INDUSTRIAL PARK WATER SUPPLY SYSTEM REVENUE BOND

2002 KBIC Industrial Park Water Supply System Revenue Bond (\$326,000 original issue) dated October 7, 2002, payable in annual installments on October 1 of each year through October 1, 2042. Interest is payable on April 1 and October 1 of each year at a rate of 4.625% per annum. Scheduled payments of principal and interest are listed below:

| <u>Fiscal</u><br><u>Year Ending</u><br><u>February</u> | <u>Interest</u><br><u>April 1</u> | <u>Interest</u><br><u>October 1</u> | <u>Principal</u><br><u>October 1</u> | <u>Total</u>      |
|--|-----------------------------------|-------------------------------------|--------------------------------------|-------------------|
| 2005   | \$ 7,469                          | \$ 7,469                            | \$ 3,000                             | \$ 17,938         |
| 2006   | 7,400                             | 7,400                               | 3,000                                | 17,800            |
| 2007   | 7,331                             | 7,331                               | 3,000                                | 17,662            |
| 2008   | 7,261                             | 7,261                               | 3,000                                | 17,522            |
| 2009   | 7,192                             | 7,192                               | 4,000                                | 18,384            |
| 2010   | 7,099                             | 7,099                               | 4,000                                | 18,198            |
| 2011   | 7,007                             | 7,007                               | 4,000                                | 18,014            |
| 2012   | 6,914                             | 6,914                               | 4,000                                | 17,828            |
| 2013   | 6,822                             | 6,822                               | 4,000                                | 17,644            |
| 2014   | 6,729                             | 6,729                               | 4,000                                | 17,458            |
| 2015   | 6,637                             | 6,637                               | 5,000                                | 18,274            |
| 2016   | 6,521                             | 6,521                               | 5,000                                | 18,042            |
| 2017   | 6,406                             | 6,406                               | 5,000                                | 17,812            |
| 2018   | 6,290                             | 6,290                               | 5,000                                | 17,580            |
| 2019   | 6,174                             | 6,174                               | 6,000                                | 18,348            |
| 2020   | 6,036                             | 6,036                               | 6,000                                | 18,072            |
| 2021   | 5,897                             | 5,897                               | 6,000                                | 17,794            |
| 2022   | 5,758                             | 5,758                               | 6,000                                | 17,516            |
| 2023   | 5,619                             | 5,619                               | 7,000                                | 18,238            |
| 2024   | 5,458                             | 5,458                               | 7,000                                | 17,916            |
| 2025   | 5,296                             | 5,296                               | 8,000                                | 18,592            |
| 2026   | 5,111                             | 5,111                               | 8,000                                | 18,222            |
| 2027   | 4,926                             | 4,926                               | 8,000                                | 17,852            |
| 2028   | 4,741                             | 4,471                               | 9,000                                | 18,482            |
| 2029   | 4,533                             | 4,533                               | 9,000                                | 18,066            |
| 2030   | 4,324                             | 4,324                               | 10,000                               | 18,648            |
| 2031   | 4,093                             | 4,093                               | 10,000                               | 18,186            |
| 2032   | 3,862                             | 3,862                               | 11,000                               | 18,724            |
| 2033   | 3,608                             | 3,608                               | 11,000                               | 18,216            |
| 2034   | 3,353                             | 3,353                               | 12,000                               | 18,706            |
| 2035   | 3,076                             | 3,076                               | 12,000                               | 18,152            |
| 2036   | 2,798                             | 2,798                               | 13,000                               | 18,596            |
| 2037   | 2,498                             | 2,498                               | 13,000                               | 17,996            |
| 2038   | 2,197                             | 2,197                               | 14,000                               | 18,394            |
| 2039   | 1,873                             | 1,873                               | 15,000                               | 18,746            |
| 2040   | 1,526                             | 1,526                               | 15,000                               | 18,052            |
| 2041   | 1,179                             | 1,179                               | 16,000                               | 18,358            |
| 2042   | 809                               | 809                                 | 17,000                               | 18,618            |
| 2043   | 416                               | 416                                 | 18,000                               | 18,832            |
|  | <u>\$192,239</u>                  | <u>\$ 192,239</u>                   | <u>\$ 323,000</u>                    | <u>\$ 707,478</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - REVENUE BONDS PAYABLE (CONTINUED)

2002 KBIC INDUSTRIAL PARK WATER SUPPLY SYSTEM REVENUE BOND (CONTINUED)

Principal installments of this bond are subject to prepayment prior to maturity, at the issuer's option, on any interest payment date on or after October 1, 2003, at par and accrued interest to the date fixed for prepayment.

Ordinance Number 194 requires that a bond reserve account be established and maintained. The Ordinance requires, at the beginning of each fiscal year quarter, that at least \$475 be transferred to the bond reserve account until the sum of \$19,000 has been deposited therein. The Village has complied with this requirement as there is \$24,709 in these accounts at February 29, 2004.

WATER SYSTEM IMPROVEMENT REVENUE BONDS PAYABLE

Water System Improvement revenue bonds (denomination of \$1,000 each, \$600,000 original issue) dated August 14, 1997, mature annually on November 1 of each year through November 1, 2027. Interest is payable on May 1 and November 1 of each year. Scheduled payments of principal, interest and interest rates are listed below:

| <u>Fiscal</u><br><u>Year Ending</u><br><u>February</u> | <u>Interest</u><br><u>Rate</u><br><u>%</u> | <u>Interest</u><br><u>May 1</u> | <u>Interest</u><br><u>November 1</u> | <u>Principal</u><br><u>November 1</u> | <u>Total</u>      |
|--|--|---------------------------------|--------------------------------------|---------------------------------------|-------------------|
| 2005   | 4.7  | \$ 14,516                       | \$ 14,516                            | \$ 10,000                             | \$ 39,032         |
| 2006   | 4.8  | 14,281                          | 14,281                               | 10,000                                | 38,562            |
| 2007   | 4.85                                       | 14,041                          | 14,041                               | 15,000                                | 43,082            |
| 2008   | 4.9  | 13,678                          | 13,678                               | 15,000                                | 42,356            |
| 2009   | 4.95                                       | 13,310                          | 13,310                               | 15,000                                | 41,620            |
| 2010   | 5.05                                       | 12,939                          | 12,939                               | 15,000                                | 40,878            |
| 2011   | 5.15                                       | 12,560                          | 12,560                               | 15,000                                | 40,120            |
| 2012   | 5.25                                       | 12,174                          | 12,174                               | 15,000                                | 39,348            |
| 2013   | 5.3  | 11,780                          | 11,780                               | 15,000                                | 38,560            |
| 2014   | 5.35                                       | 11,383                          | 11,383                               | 20,000                                | 42,766            |
| 2015   | 5.4  | 10,848                          | 10,848                               | 20,000                                | 41,696            |
| 2016   | 5.45                                       | 10,308                          | 10,307                               | 20,000                                | 40,615            |
| 2017   | 5.5  | 9,763                           | 9,762                                | 20,000                                | 39,525            |
| 2018   | 5.5  | 9,213                           | 9,212                                | 25,000                                | 43,425            |
| 2019   | 5.5  | 8,525                           | 8,525                                | 25,000                                | 42,050            |
| 2020   | 5.5  | 7,838                           | 7,837                                | 25,000                                | 40,675            |
| 2021   | 5.5  | 7,150                           | 7,150                                | 25,000                                | 39,300            |
| 2022   | 5.5  | 6,463                           | 6,462                                | 30,000                                | 42,925            |
| 2023   | 5.5  | 5,638                           | 5,637                                | 30,000                                | 41,275            |
| 2024   | 5.5  | 4,813                           | 4,812                                | 30,000                                | 39,625            |
| 2025   | 5.5  | 3,988                           | 3,987                                | 35,000                                | 42,975            |
| 2026   | 5.5  | 3,025                           | 3,025                                | 35,000                                | 41,050            |
| 2027   | 5.5  | 2,063                           | 2,062                                | 35,000                                | 39,125            |
| 2028   | 5.5  | 1,100                           | 1,100                                | 40,000                                | 42,200            |
| Totals   |  | <u>\$221,397</u>                | <u>\$ 221,388</u>                    | <u>\$ 540,000</u>                     | <u>\$ 982,785</u> |

Ordinance Number 180 requires that bond reserve accounts be established and maintained at a \$42,000 level. The Village has complied with this requirement as there is \$61,000 in these accounts at February 29, 2004.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - REVENUE BONDS PAYABLE (CONTINUED)

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2003A

Water Supply System Junior Lien Revenue Bond, Series 2003A (\$639,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum. Scheduled payments of principal and interest are listed below:

| <u>Fiscal<br/>Year Ending<br/>February</u> | <u>Interest<br/>July 1</u> | <u>Principal<br/>July 1</u> | <u>Interest<br/>January 1</u> | <u>Total</u>       |
|--|----------------------------|-----------------------------|-------------------------------|--------------------|
| 2005                                       | \$ 13,451                  | \$ 6,000                    | \$ 13,324                     | \$ 32,775          |
| 2006                                       | 13,324                     | 7,000                       | 13,175                        | 33,499             |
| 2007                                       | 13,175                     | 7,000                       | 13,026                        | 33,201             |
| 2008                                       | 13,026                     | 7,000                       | 12,878                        | 32,904             |
| 2009                                       | 12,878                     | 7,000                       | 12,729                        | 32,607             |
| 2010                                       | 12,729                     | 8,000                       | 12,559                        | 33,288             |
| 2011                                       | 12,559                     | 8,000                       | 12,389                        | 32,948             |
| 2012                                       | 12,389                     | 8,000                       | 12,219                        | 32,608             |
| 2013                                       | 12,219                     | 9,000                       | 12,028                        | 33,247             |
| 2014                                       | 12,028                     | 9,000                       | 11,836                        | 32,864             |
| 2015                                       | 11,836                     | 10,000                      | 11,624                        | 33,460             |
| 2016                                       | 11,624                     | 10,000                      | 11,411                        | 33,035             |
| 2017                                       | 11,411                     | 11,000                      | 11,178                        | 33,589             |
| 2018                                       | 11,178                     | 11,000                      | 10,944                        | 33,122             |
| 2019                                       | 10,944                     | 12,000                      | 10,689                        | 33,633             |
| 2020                                       | 10,689                     | 12,000                      | 10,434                        | 33,123             |
| 2021                                       | 10,434                     | 13,000                      | 10,158                        | 33,592             |
| 2022                                       | 10,158                     | 13,000                      | 9,881                         | 33,039             |
| 2023                                       | 9,881                      | 14,000                      | 9,584                         | 33,465             |
| 2024                                       | 9,584                      | 14,000                      | 9,286                         | 32,870             |
| 2025                                       | 9,286                      | 15,000                      | 8,968                         | 33,254             |
| 2026                                       | 8,968                      | 16,000                      | 8,628                         | 33,596             |
| 2027                                       | 8,628                      | 16,000                      | 8,288                         | 32,916             |
| 2028                                       | 8,288                      | 17,000                      | 7,926                         | 33,214             |
| 2029                                       | 7,926                      | 18,000                      | 7,544                         | 33,470             |
| 2030                                       | 7,544                      | 19,000                      | 7,140                         | 33,684             |
| 2031                                       | 7,140                      | 20,000                      | 6,715                         | 33,855             |
| 2032                                       | 6,715                      | 21,000                      | 6,269                         | 33,984             |
| 2033                                       | 6,269                      | 21,000                      | 5,822                         | 33,091             |
| 2034                                       | 5,823                      | 22,000                      | 5,355                         | 33,178             |
| 2035                                       | 5,355                      | 23,000                      | 4,866                         | 33,221             |
| 2036                                       | 4,866                      | 24,000                      | 4,356                         | 33,222             |
| 2037                                       | 4,356                      | 26,000                      | 3,804                         | 34,160             |
| 2038                                       | 3,804                      | 27,000                      | 3,230                         | 34,034             |
| 2039                                       | 3,230                      | 28,000                      | 2,635                         | 33,865             |
| 2040                                       | 2,635                      | 29,000                      | 2,019                         | 33,654             |
| 2041                                       | 2,019                      | 30,000                      | 1,381                         | 33,400             |
| 2042                                       | 1,381                      | 32,000                      | 701                           | 34,082             |
| 2043                                       | 701                        | 33,000                      | -                             | 33,701             |
|  | <u>\$340,451</u>           | <u>\$ 633,000</u>           | <u>\$ 326,999</u>             | <u>\$1,300,450</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - REVENUE BONDS PAYABLE (CONTINUED)

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2003B

Water Supply System Junior Lien Revenue Bond, Series 2003B (\$336,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum. Scheduled payments of principal and interest are listed below:

| <u>Fiscal<br/>Year Ending<br/>February</u> | <u>Interest<br/>July 1</u> | <u>Principal<br/>July 1</u> | <u>Interest<br/>January 1</u> | <u>Total</u>      |
|--|----------------------------|-----------------------------|-------------------------------|-------------------|
| 2005                                       | \$ 7,076                   | \$ 3,500                    | \$ 7,002                      | \$ 17,578         |
| 2006                                       | 7,003                      | 3,500                       | 6,928                         | 17,431            |
| 2007                                       | 6,928                      | 3,500                       | 6,853                         | 17,281            |
| 2008                                       | 6,853                      | 3,500                       | 6,779                         | 17,132            |
| 2009                                       | 6,779                      | 4,000                       | 6,694                         | 17,473            |
| 2010                                       | 6,694                      | 4,000                       | 6,609                         | 17,303            |
| 2011                                       | 6,609                      | 4,500                       | 6,513                         | 17,622            |
| 2012                                       | 6,513                      | 4,500                       | 6,418                         | 17,431            |
| 2013                                       | 6,418                      | 4,500                       | 6,322                         | 17,240            |
| 2014                                       | 6,322                      | 5,000                       | 6,216                         | 17,538            |
| 2015                                       | 6,216                      | 5,000                       | 6,109                         | 17,325            |
| 2016                                       | 6,109                      | 5,500                       | 5,993                         | 17,602            |
| 2017                                       | 5,993                      | 5,500                       | 5,876                         | 17,369            |
| 2018                                       | 5,876                      | 6,000                       | 5,748                         | 17,624            |
| 2019                                       | 5,748                      | 6,000                       | 5,621                         | 17,369            |
| 2020                                       | 5,621                      | 6,500                       | 5,483                         | 17,604            |
| 2021                                       | 5,483                      | 6,500                       | 5,344                         | 17,327            |
| 2022                                       | 5,344                      | 7,000                       | 5,196                         | 17,540            |
| 2023                                       | 5,196                      | 7,500                       | 5,036                         | 17,732            |
| 2024                                       | 5,036                      | 7,500                       | 4,877                         | 17,413            |
| 2025                                       | 4,877                      | 8,000                       | 4,707                         | 17,584            |
| 2026                                       | 4,707                      | 8,500                       | 4,526                         | 17,733            |
| 2027                                       | 4,526                      | 8,500                       | 4,346                         | 17,372            |
| 2028                                       | 4,346                      | 9,000                       | 4,154                         | 17,500            |
| 2029                                       | 4,154                      | 9,500                       | 3,953                         | 17,607            |
| 2030                                       | 3,953                      | 10,000                      | 3,740                         | 17,693            |
| 2031                                       | 3,740                      | 10,500                      | 3,517                         | 17,757            |
| 2032                                       | 3,517                      | 11,000                      | 3,283                         | 17,800            |
| 2033                                       | 3,283                      | 11,500                      | 3,039                         | 17,822            |
| 2034                                       | 3,039                      | 12,000                      | 2,784                         | 17,823            |
| 2035                                       | 2,784                      | 12,500                      | 2,518                         | 17,802            |
| 2036                                       | 2,518                      | 13,000                      | 2,242                         | 17,760            |
| 2037                                       | 2,242                      | 13,500                      | 1,955                         | 17,697            |
| 2038                                       | 1,955                      | 14,000                      | 1,658                         | 17,613            |
| 2039                                       | 1,658                      | 14,500                      | 1,349                         | 17,507            |
| 2040                                       | 1,349                      | 15,500                      | 1,020                         | 17,869            |
| 2041                                       | 1,020                      | 16,000                      | 680                           | 17,700            |
| 2042                                       | 680                        | 17,000                      | 319                           | 17,999            |
| 2043                                       | 319                        | 15,000                      | -                             | 15,319            |
|  | <u>\$178,484</u>           | <u>\$ 333,000</u>           | <u>\$ 171,407</u>             | <u>\$ 682,891</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - DEFERRED REVENUE

Deferred revenue is recorded when loans are made from the Revolving Loan Fund. As principal is received on the loans, deferred revenue is reduced and other revenue is increased.

Property taxes received later than sixty days after the fiscal year end are recorded as deferred revenue and not recognized as revenue until they are received.

Deferred revenue is also recorded in the Motor Vehicle Fund which represents prepaid equipment rent received from the Downtown Development Authority.

Grant funds received but not yet expended at year end are also recognized as deferred revenues.

NOTE J - PROPERTY TAXES

Property taxes are levied on July 1. The Village collects its own property taxes until mid September at which time collection is turned over to Baraga County.

The tax rate to finance general government services for the year ended February 29, 2004, was \$8.9308 per \$1000 of assessed valuation which computed to \$135,971 on the present taxable valuation of \$15,224,897.

Also, an additional \$1.6362 per \$1000 of assessed valuation was levied for road improvements.

NOTE K - RETIREMENT PLAN

The Village contributes to the Michigan Municipal Employees Retirement System, an agent multiple-employer public employees retirement system that acts as a common investment and administrative agent for all Michigan municipal employees.

The qualified employees includes all full time employees of the Village with the exception of the Village Manager. Benefits vest after ten years of service. Village employees who retire at or after the age of 55 with 15 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the sum of 2.25% of final average compensation. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and Village ordinance.

Village employees are not required to contribute to the plan. The Village contributes to the plan quarterly based on actuarial calculated contributions.

Contributions were made in accordance with actuarially determined contribution requirements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - RETIREMENT PLAN (CONTINUED)

As of December 31, 2003, employee membership data related to the pension plan was as follows:

|   |           |
|---|-----------|
| Retirees and beneficiaries currently receiving benefits | 6         |
| Inactive vested members                                 | 1         |
|   |           |
| Active plan participants:                               |           |
| Active members - vested                                 | 10        |
| Active members - nonvested                              | <u>0</u>  |
| Total   | <u>17</u> |

Funding Status and Progress

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB INFORMATION (as of 12/31/03)

Actuarial Accrued Liability

|  |                  |
|--|------------------|
| Retirees and beneficiaries currently receiving benefits                  | \$1,311,848      |
| Terminated employees not yet receiving benefits                          | 18,245           |
| Current employees -  |                  |
| Accumulated employee contributions including allocated investment income | -                |
| Employer financed  | <u>768,852</u>   |
| Total Actuarial Accrued Liability  | \$2,098,945      |
| Net Assets Available for Benefits at Actuarial Value                     | <u>1,229,134</u> |
| (Market Value is \$1,122,331)  |                  |

|   |            |
|---|------------|
| Unfunded (Overfunded) Actuarial Accrued Liability | \$ 869,811 |
|---|------------|

GASB 27 INFORMATION (as of 12/31/03)

|                                    |               |
|------------------------------------|---------------|
| Fiscal Year Beginning              | March 1, 2005 |
| Annual Required Contribution (ARC) | \$ 103,644    |
| Amortization Factor Used           | 0.053632      |

Additional information pertaining to the pension plan can be obtained from the Village's annual actuarial valuation report.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - DEFERRED COMPENSATION PLAN

Pebsco is the administrator of the Village's Deferred Compensation Plan. The plan was established in accordance with Section 457 of the Internal Revenue Code. All employees of the Village are eligible to participate in the plan. Each participant in the plan is required to deposit at least \$600 on an annualized basis. The Village does not match any contributions. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship.

The assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE M - SEGMENT INFORMATION

The Village maintains three enterprise funds. Segment information for the year ended February 29, 2004, is as follows:

|   | <u>Water<br/>Fund</u> | <u>Sewer<br/>Fund</u> | <u>Electric<br/>Fund</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|---|-----------------------|-----------------------|--------------------------|---------------------------------------|
| Operating revenues                          | \$ 369,068            | \$ 115,455            | \$1,459,475              | \$1,943,998                           |
| Depreciation                                | 136,262               | 231                   | 67,550                   | 204,043                               |
| Operating income<br>(loss)                  | ( 16,854)             | ( 11,456)             | 472,312                  | 444,002                               |
| Non-operating revenues<br>(expenses)        | ( 42,647)             | ( 82,457)             | 22,773                   | ( 102,331)                            |
| Operating transfers<br>in (out)             | -                     | -                     | ( 448,300)               | ( 448,300)                            |
| Net income (loss)                           | ( 59,501)             | ( 93,913)             | 46,785                   | ( 106,629)                            |
| Property, plant, and<br>equipment additions | 984,709               | 1,387                 | 28,422                   | 1,014,518                             |
| Construction in<br>process additions        | 2,053,190             | -                     | -                        | 2,053,190                             |
| Net working capital<br>(deficit)            | ( 113,908)            | ( 1,622)              | 910,310                  | 794,840                               |
| Total equity:                               |                       |                       |                          |                                       |
| Contributed capital                         | 3,430,740             | 2,480,486             | 239,455                  | 6,150,681                             |
| Retained earnings<br>(deficit)              | 137,365               | 158,540               | 1,202,206                | 1,498,111                             |

NOTE N - CHANGES IN GENERAL FIXED ASSETS

|                                      | <u>Balance<br/>3-1-03</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance<br/>2-29-04</u> |
|--------------------------------------|---------------------------|------------------|-------------------|----------------------------|
| Land                                 | \$ 120,651                | \$ 1,000         | \$ -              | \$ 121,651                 |
| Buildings                            | 812,058                   | -                | -                 | 812,058                    |
| Improvements other<br>than buildings | 880,273                   | 5,954            | -                 | 886,227                    |
| Equipment                            | 799,920                   | 48,281           | 10,700            | 837,501                    |
| Marina                               | 335,237                   | -                | -                 | 335,237                    |
| <b>Totals</b>                        | <u>\$2,948,139</u>        | <u>\$ 55,235</u> | <u>\$ 10,700</u>  | <u>\$2,992,674</u>         |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O - INVESTMENT IN BARAGA VILLAGE/KEWEENAW BAY  
RESERVATION WASTE WATER AUTHORITY

The Village of Baraga and the Keweenaw Bay Indian Community entered into an agreement on September 27, 1995 for the purpose of creating the Baraga Village/Keweenaw Bay Reservation Waste Water Authority Board. The Board shall own, operate and maintain a joint waste water treatment facility and associated system components. The Keweenaw Bay Indian Community and the Village of Baraga shall be equal partners in and shall jointly operate the Waste Water System. The Board shall employ the Village of Baraga as System Operator to operate and maintain the System and shall pay the Village for such services.

The Village utilizes the equity method of accounting for the activity in its investment in the facility. Under the equity method the investment is adjusted for any additional capital investments made and it's proportionate share of the facility's results of operations.

On September 1, 1996, the following assets and liabilities of the Village of Baraga were transferred to the Authority:

|                                 |              |
|---------------------------------|--------------|
| Property, plant, and equipment  | \$6,066,181  |
| Accumulated depreciation        | ( 1,223,556) |
| Allowance for doubtful accounts | ( 2,489)     |
| Accounts payable                | ( 67,247)    |
| Accrued interest                | ( 6,334)     |
| Revenue bonds payable           | ( 1,373,000) |

NET INVESTMENT      \$3,393,546

Baraga Village/Keweenaw Bay Reservation Waste Water Authority issues separate financial statements available from the Village's office.

A summary of condensed financial information as of February 29, 2004, for the Board, in the aggregate is as follows:

|   |             |
|---|-------------|
| Assets  | \$3,782,761 |
| Liabilities   | 401,962     |
| Equity  | 3,380,799   |
| Revenues  | 309,056     |
| Expenses  | 365,006     |
| Other income (expenses)   | ( 15,773)   |
| Net (loss)  | ( 71,723)   |
| Depreciation on property, plant and equipment<br>contributed by the Village and Community | 150,309     |
| Increase (decrease) in retained earnings  | 78,586      |
| Village's share of increase in retained earnings  | 39,293      |
| Village's share of depreciation on fixed<br>assets contributed                            | 121,750     |

Included in expenses above is \$115,455 paid to the Village for services provided for the Board.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P - CHANGES IN GENERAL LONG-TERM DEBT

|   | Balance<br>3-1-03 | Additions   | Deductions       | Balance<br>2-29-04 |
|---|-------------------|-------------|------------------|--------------------|
| Installment contracts                       | \$307,588         | \$ -        | \$ 43,092        | \$264,496          |
| Accumulated vacation pay<br>and sick leave: |                   |             |                  |                    |
| Salaries                                    | 40,282            | -           | 1,895            | 38,387             |
| Payroll taxes                               | 3,082             | -           | 145              | 2,937              |
| Totals                                      | <u>\$350,952</u>  | <u>\$ -</u> | <u>\$ 45,132</u> | <u>\$305,820</u>   |

NOTE Q - CHANGES IN CONTRIBUTED CAPITAL

|   | Proprietary Fund Types<br>Enterprise | Internal<br>Service |
|---|--------------------------------------|---------------------|
| Contributed capital balance March 1, 2003   | \$4,686,185                          | \$ 94,556           |
| Add -   |                                      |                     |
| State of Michigan contributions for<br>Water Utility expansion  | 1,673,501                            | -                   |
| Deduct:   |                                      |                     |
| Depreciation on property, plant, and equipment by<br>federal and state grants   | ( 87,255)                            | -                   |
| Depreciation on property, plant, and equipment<br>contributed to Baraga Village/Keweenaw Bay<br>Reservation Waste Water Authority | ( 121,750)                           | -                   |
| TOTAL CONTRIBUTED CAPITAL AT FEBRUARY 29, 2004  | <u>\$6,150,681</u>                   | <u>\$ 94,556</u>    |

It is the Village's policy in the enterprise funds to charge depreciation expense on assets acquired by federal and state grants to the contributed capital account.

NOTE R - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains insurance coverage through the Michigan Municipal League which covers each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this coverage in any of the past three years.

NOTE S - BARAGA HOUSING COMMISSION

The financial statements of the Village of Baraga Housing Commission are not included in the general purpose financial statements of the Village of Baraga for the following reasons:

1. The Village does not approve budgets or budget amendments.
2. The Village is not responsible for fund deficits and does not receive any fund surplus.
3. The Village does not provide significant financial support.
4. The Village does not have significant fiscal management responsibilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE S - BARAGA HOUSING COMMISSION (continued)

The financial statements of the Village of Baraga Housing Commission are audited annually as a requirement of the Department of Housing and Urban Development. A summary of the audited financial information as of June 30, 2004, is as follows:

|                              |                    |
|------------------------------|--------------------|
| Total Assets                 | <u>\$1,219,182</u> |
| Total liabilities            | \$ 50,334          |
| Total equity                 | <u>1,168,848</u>   |
| Total Liabilities and Equity | <u>\$1,219,182</u> |
| Revenues                     | \$ 326,687         |
| Expenses                     | <u>374,482</u>     |
| Net operating loss           | (\$ 47,795)        |
| Other income (expenses)      | <u>4,369</u>       |
| Net Loss                     | <u>(\$ 43,426)</u> |

NOTE T - BUDGET VARIANCES

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended February 29, 2004, expenditures were incurred in excess of the amounts appropriated in the budget as listed below:

| <u>Fund</u>          | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------|---------------|---------------|-----------------|
| General              | \$791,300     | \$1,210,344   | (\$419,044)     |
| Major Street         | 65,200        | 82,554        | ( 17,354)       |
| Local Street         | 52,500        | 91,098        | ( 38,598)       |
| Housing              | -             | 17            | ( 17)           |
| Waterfront           | 9,900         | 10,355        | ( 455)          |
| Economic Development | 90,000        | 102,567       | ( 12,567)       |

NOTE U - CONTINGENCY

An audit performed by the United States Environmental Protection Agency dated August 14, 1997 is requesting the Village to reimburse the federal government \$26,838 for ineligible construction costs from the Water Fund. Village officials are still reviewing the computation and no determination has been made whether to appeal the audit or pay the requested amount. No liability has been recorded in the financial statements for the year ended February 29, 2004.

The Downtown Development Authority (a component unit) captures a percentage of the taxes levied within the territory that the Authority encompasses. There is currently a dispute regarding the legality of levying taxes on tribal property which is within reservation boundaries. The Authority has recognized a receivable in the amount of \$75,000 which represents the Authority's capture of taxes levied by the Township of Baraga. There is a reasonable possibility that some or all of this amount may not be collectible depending on the outcome of the litigation that is pending. None of this receivable has been collected within sixty days of the Authority's year end so the entire amount has been recorded as deferred revenue on the financial statements of the Authority.

OTHER FINANCIAL INFORMATION

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF REVENUES AND OPERATING TRANSFERS IN  
BUDGET AND ACTUAL  
For year ended February 29, 2004

|                                       | <u>Budget</u>     | <u>Actual</u>     |
|---------------------------------------|-------------------|-------------------|
| <u>GENERAL PROPERTY TAXES</u>         |                   |                   |
| Current tax levy                      | \$ 140,500        | \$ 89,298         |
| Interest and penalties                | 300               | 62                |
| Administrative fees                   | 1,000             | 1,069             |
| Delinquent taxes                      | <u>1,500</u>      | <u>24,067</u>     |
| TOTAL GENERAL PROPERTY TAXES          | <u>\$ 143,300</u> | <u>\$ 114,496</u> |
| <br><u>INTERGOVERNMENTAL REVENUES</u> |                   |                   |
| State shared revenues                 | \$ 150,000        | \$ 152,154        |
| Liquor license                        | 1,500             | 1,505             |
| Keweenaw Bay Indian Community         | <u>25,000</u>     | <u>-</u>          |
| TOTAL INTERGOVERNMENTAL REVENUES      | <u>\$ 176,500</u> | <u>\$ 153,659</u> |
| <br><u>SERVICE CHARGES</u>            |                   |                   |
| Sales of cemetery lots                | \$ 500            | \$ 100            |
| Industrial park rentals               | 3,500             | 2,810             |
| Other rentals and charges             | <u>4,000</u>      | <u>4,506</u>      |
| TOTAL SERVICE CHARGES                 | <u>\$ 8,000</u>   | <u>\$ 7,416</u>   |
| <br><u>OTHER</u>                      |                   |                   |
| Investment income                     | \$ 1,000          | \$ 8,419          |
| Reimbursements                        | 125,000           | 265,748           |
| District court ordinance fees         | 500               | 1,421             |
| Drug forfeiture                       | 100               | 941               |
| Miscellaneous                         | <u>30,700</u>     | <u>261,701</u>    |
| TOTAL OTHER                           | <u>\$ 157,300</u> | <u>\$ 538,230</u> |
| <br><u>OPERATING TRANSFERS IN</u>     |                   |                   |
| Other funds                           | \$ 365,700        | \$ 408,000        |
| Component units                       | <u>5,000</u>      | <u>5,000</u>      |
| TOTAL OPERATING TRANSFERS IN          | <u>\$ 370,700</u> | <u>\$ 413,000</u> |

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT  
BUDGET AND ACTUAL  
For year ended February 29, 2004

|                                  | <u>Budget</u>    | <u>Actual</u>    |
|----------------------------------|------------------|------------------|
| <u>GENERAL GOVERNMENT</u>        |                  |                  |
| Village Council:                 |                  |                  |
| Salaries and wages               | \$ 8,500         | \$ 8,238         |
| Dues and memberships             | 1,500            | 2,063            |
| Printing and publishing          | 2,500            | 3,635            |
| Conventions and travel           | 1,000            | 1,385            |
| Contracted services              | 500              | 4,093            |
| Miscellaneous                    | <u>1,000</u>     | <u>5,414</u>     |
|                                  | <u>\$ 15,000</u> | <u>\$ 24,828</u> |
| <br>Village Manager:             |                  |                  |
| Salaries and wages               | \$ 29,000        | \$ 16,714        |
| Operating supplies               | 1,500            | 1,776            |
| Vehicle expense                  | 3,900            | 3,773            |
| Telephone                        | 1,400            | 1,040            |
| Conventions and travel           | 800              | 840              |
| Miscellaneous                    | <u>1,100</u>     | <u>842</u>       |
|                                  | <u>\$ 37,700</u> | <u>\$ 24,985</u> |
| <br>Election expense:            |                  |                  |
| Salaries and wages               | \$ 1,500         | \$ -             |
| Operating supplies               | 1,700            | 399              |
| Printing and publishing          | 500              | 232              |
| Miscellaneous                    | <u>100</u>       | <u>-</u>         |
|                                  | <u>\$ 3,800</u>  | <u>\$ 631</u>    |
| <br>Attorney - professional fees | <u>\$ 20,000</u> | <u>\$ 11,605</u> |
| <br>Clerk:                       |                  |                  |
| Salaries                         | \$ 5,200         | \$ 6,671         |
| Office supplies                  | 500              | 226              |
| Printing and publishing          | 300              | 57               |
| Conventions and travel           | 500              | 138              |
| Miscellaneous                    | <u>100</u>       | <u>82</u>        |
|                                  | <u>\$ 6,600</u>  | <u>\$ 7,174</u>  |
| <br>Treasurer:                   |                  |                  |
| Salaries and wages               | \$ 3,000         | \$ 2,500         |
| Operating supplies               | 5,000            | 407              |
| Printing and publishing          | 1,000            | -                |
| Miscellaneous                    | <u>100</u>       | <u>991</u>       |
|                                  | <u>\$ 9,100</u>  | <u>\$ 3,898</u>  |

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT  
BUDGET AND ACTUAL (CONTINUED)  
For year ended February 29, 2004

|                           | <u>Budget</u>     | <u>Actual</u>    |
|---------------------------|-------------------|------------------|
| <u>GENERAL GOVERNMENT</u> |                   |                  |
| General administrative:   |                   |                  |
| Salaries and wages        | \$ 13,000         | \$ 18,023        |
| Operating supplies        | 5,000             | 7,165            |
| Utilities                 | 6,000             | 6,871            |
| Contracted services       | 1,000             | 32,668           |
| Conventions and travel    | -                 | 1,152            |
| Miscellaneous             | 1,100             | 1,832            |
| Capital outlay            | <u>9,500</u>      | <u>6,214</u>     |
|                           | <u>\$ 35,600</u>  | <u>\$ 73,925</u> |
| TOTAL GENERAL GOVERNMENT  | <u>\$ 127,800</u> | <u>\$147,046</u> |
| <u>PUBLIC SAFETY</u>      |                   |                  |
| Police department:        |                   |                  |
| Salaries and wages        | \$ 120,000        | \$107,134        |
| Operating supplies        | 4,000             | 2,033            |
| Utilities                 | 1,500             | 1,661            |
| Vehicle expense           | 1,000             | 1,593            |
| Telephone                 | 3,000             | 2,611            |
| Conventions and travel    | 2,000             | 369              |
| Miscellaneous             | 3,700             | 3,540            |
| Capital outlay            | <u>12,000</u>     | <u>28,407</u>    |
|                           | <u>\$ 147,200</u> | <u>\$147,348</u> |
| Fire department:          |                   |                  |
| Salaries and wages        | \$ 7,500          | \$ 11,985        |
| Operating supplies        | 3,500             | 6,103            |
| Vehicle expense           | 2,000             | 536              |
| Utilities                 | 2,700             | 4,815            |
| Contracted services       | 500               | 295              |
| Debt service              | 30,000            | 57,359           |
| Miscellaneous             | 3,100             | 10,984           |
| Capital outlay            | <u>5,000</u>      | <u>7,330</u>     |
|                           | <u>\$ 54,300</u>  | <u>\$ 99,407</u> |
| TOTAL PUBLIC SAFETY       | <u>\$ 201,500</u> | <u>\$246,755</u> |
| <u>PUBLIC WORKS</u>       |                   |                  |
| Cemetery:                 |                   |                  |
| Salaries and wages        | \$ 7,000          | \$ 376           |
| Operating supplies        | 500               | 254              |
| Utilities                 | 300               | -                |
| Equipment rental          | 500               | 2,079            |
| Contracted services       | 500               | -                |
| Capital outlay            | <u>500</u>        | <u>-</u>         |
|                           | <u>\$ 9,300</u>   | <u>\$ 2,709</u>  |



VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT  
BUDGET AND ACTUAL (CONTINUED)  
For year ended February 29, 2004

|   | <u>Budget</u>     | <u>Actual</u>    |
|---|-------------------|------------------|
| <u>PUBLIC WORKS (CONTINUED)</u>   |                   |                  |
| Garage and equipment:   |                   |                  |
| Salaries and wages  | \$ 46,000         | \$ 18,571        |
| Operating supplies  | 15,000            | 19,471           |
| Equipment rental  | 16,000            | 5,637            |
| Contracted services   | 10,000            | 11,357           |
| Utilities   | 5,000             | 7,434            |
| Miscellaneous   | 1,800             | 1,384            |
| Capital outlay  | <u>1,000</u>      | <u>4,637</u>     |
|   | <u>\$ 94,800</u>  | <u>\$ 68,491</u> |
| Industrial park - Contracted services   | \$ -              | \$ 11,454        |
| Gateway project - Capital outlay  | \$ -              | \$205,934        |
| TOTAL PUBLIC WORKS  | <u>\$ 104,100</u> | <u>\$288,588</u> |
| <u>HEALTH AND WELFARE</u>   |                   |                  |
| Public housing - salaries and wages   | \$ 500            | \$ 550           |
| Community promotion - community projects  | <u>3,500</u>      | <u>22,750</u>    |
| TOTAL HEALTH AND WELFARE  | <u>\$ 4,000</u>   | <u>\$ 23,300</u> |
| <u>CULTURE AND RECREATION</u>   |                   |                  |
| Village parks and recreation:   |                   |                  |
| Salaries  | \$ 7,500          | \$ 593           |
| Operating supplies  | 1,000             | 309              |
| Repairs and maintenance   | 1,500             | 724              |
| Contracted services   | 2,500             | 9,923            |
| Utilities   | 5,000             | 12,235           |
| Equipment rental  | 1,000             | 1,356            |
| Capital outlay  | 500               | -                |
| Miscellaneous   | <u>100</u>        | <u>-</u>         |
| TOTAL CULTURE AND RECREATION  | <u>\$ 19,100</u>  | <u>\$ 25,140</u> |
| <u>OTHER</u>  |                   |                  |
| Insurance and bonds   | \$ 37,500         | \$ 44,371        |
| Payroll taxes   | 42,000            | 44,807           |
| Retirement plan   | 71,000            | 104,361          |
| Hospitalization insurance   | 120,000           | 202,234          |
| Vacation, holiday, and sick pay   | 52,000            | 46,049           |
| Clothing allowance  | 3,500             | 2,400            |
| Capital outlay  | 100               | 6,954            |
| Miscellaneous   | 4,900             | 22,747           |
| Contracted services   | <u>3,800</u>      | <u>5,592</u>     |
| TOTAL OTHER   | <u>\$ 334,800</u> | <u>\$479,515</u> |
| <u>OPERATING TRANSFERS OUT</u>  |                   |                  |
| Component unit  | <u>\$ 30,000</u>  | <u>\$ 59,549</u> |
| TOTAL OPERATING TRANSFERS OUT   | <u>\$ 30,000</u>  | <u>\$ 59,549</u> |
| The accompanying notes to financial statements<br>are an integral part of this statement. |                   |                  |

VILLAGE OF BARAGA, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

February 29, 2004

|  | <u>Major<br/>Street</u> | <u>Local<br/>Street</u> | <u>Road</u>      |
|--|-------------------------|-------------------------|------------------|
| <u>ASSETS</u>  |                         |                         |                  |
| Cash in bank   | \$ 8,901                | \$ 8,088                | \$ -             |
| Delinquent taxes receivable                          | -                       | -                       | 8,980            |
| Notes receivable                                     | -                       | -                       | -                |
| Due from other funds                                 | 5,288                   | 7,033                   | 2,768            |
| Due from other governmental units                    | -                       | -                       | 9,289            |
| TOTAL ASSETS   | <u>\$ 14,189</u>        | <u>\$ 15,121</u>        | <u>\$ 21,037</u> |
| <u>LIABILITIES AND FUND BALANCE</u>                  |                         |                         |                  |
| <u>LIABILITIES</u>                                   |                         |                         |                  |
| Cash overdraft                                       | \$ -                    | \$ -                    | \$ -             |
| Accounts payable,<br>compensation, and payroll taxes | 449                     | 453                     | -                |
| Due to other funds                                   | 7,414                   | 4,642                   | 4,000            |
| Deferred revenue                                     | -                       | -                       | 7,270            |
| TOTAL LIABILITIES                                    | \$ 7,863                | \$ 5,095                | \$ 11,270        |
| <u>FUND BALANCES</u>                                 |                         |                         |                  |
| Unreserved   | <u>6,326</u>            | <u>10,026</u>           | <u>9,767</u>     |
| TOTAL LIABILITIES AND FUND BALANCES                  | <u>\$ 14,189</u>        | <u>\$ 15,121</u>        | <u>\$ 21,037</u> |

The accompanying notes to financial statements  
are an integral part of this statement.

| <u>Waterfront</u> | <u>Housing<br/>Rehabilitation</u> | <u>Revolving<br/>Loan</u> | <u>Total</u>       |
|-------------------|-----------------------------------|---------------------------|--------------------|
| \$ -              | \$ 7,431                          | \$ 266,345                | \$ 290,765         |
| -                 | -                                 | -                         | 8,980              |
| -                 | 2,585                             | 988,855                   | 991,440            |
| 10,965            | -                                 | -                         | 26,054             |
| -                 | -                                 | -                         | 9,289              |
| <u>\$ 10,965</u>  | <u>\$ 10,016</u>                  | <u>\$1,255,200</u>        | <u>\$1,326,528</u> |
| <br>              |                                   |                           |                    |
| \$ 10,049         | \$ -                              | \$ -                      | \$ 10,049          |
| 21                | -                                 | 100                       | 1,023              |
| 838               | -                                 | 4,278                     | 21,172             |
| -                 | -                                 | 988,855                   | 996,125            |
| <u>\$ 10,908</u>  | <u>\$ -</u>                       | <u>\$ 993,233</u>         | <u>\$1,028,369</u> |
| <br>              |                                   |                           |                    |
| 57                | 10,016                            | 261,967                   | 298,159            |
| <u>\$ 10,965</u>  | <u>\$ 10,016</u>                  | <u>\$1,255,200</u>        | <u>\$1,326,528</u> |

VILLAGE OF BARAGA, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

For year ended February 29, 2004

|  | <u>Major<br/>Street</u> | <u>Local<br/>Street</u> | <u>Road</u>        |
|--|-------------------------|-------------------------|--------------------|
| <u>REVENUES</u>  |                         |                         |                    |
| Current tax levy   | \$ -                    | \$ -                    | \$ 37,141          |
| Intergovernmental revenues   | 83,062                  | 34,354                  | -                  |
| Interest income  | -                       | -                       | -                  |
| Other  | -                       | -                       | -                  |
| TOTAL REVENUES   | <u>\$ 83,062</u>        | <u>\$ 34,354</u>        | <u>\$ 37,141</u>   |
| <u>EXPENDITURES</u>  |                         |                         |                    |
| Administration   | \$ 1,547                | \$ 708                  | \$ -               |
| Culture and recreation   | -                       | -                       | -                  |
| Economic development   | -                       | -                       | -                  |
| Other  | -                       | -                       | -                  |
| Streets:   |                         |                         |                    |
| Surface maintenance  | 43,871                  | 56,724                  | -                  |
| Winter maintenance   | 34,195                  | 32,332                  | -                  |
| Traffic services   | <u>2,941</u>            | <u>1,334</u>            | <u>-</u>           |
| TOTAL EXPENDITURES   | <u>\$ 82,554</u>        | <u>\$ 91,098</u>        | <u>\$ -</u>        |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES                                  | <u>\$ 508</u>           | <u>(\$ 56,744)</u>      | <u>\$ 37,141</u>   |
| <u>OTHER FINANCING SOURCES (USES)</u>  |                         |                         |                    |
| Operating transfers from other funds   | \$ -                    | \$ 66,682               | \$ -               |
| Operating transfers to other funds   | -                       | -                       | ( 16,682)          |
| Operating transfers to component units   | <u>-</u>                | <u>-</u>                | <u>( 10,908)</u>   |
| TOTAL OTHER FINANCING SOURCES (USES)   | <u>\$ -</u>             | <u>\$ 66,682</u>        | <u>(\$ 27,590)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES<br>OVER (UNDER) EXPENDITURES AND OTHER USES | \$ 508                  | \$ 9,938                | \$ 9,551           |
| Fund balances March 1, 2003  | <u>5,818</u>            | <u>88</u>               | <u>216</u>         |
| FUND BALANCES FEBRUARY 29, 2004  | <u>\$ 6,326</u>         | <u>\$ 10,026</u>        | <u>\$ 9,767</u>    |

The accompanying notes to financial statements  
are an integral part of this statement.

| <u>Waterfront</u> | <u>Housing<br/>Rehabilitation</u> | <u>Revolving<br/>Loan</u> | <u>Total</u>      |
|-------------------|-----------------------------------|---------------------------|-------------------|
| \$ -              | \$ -                              | \$ -                      | \$ 37,141         |
| -                 | -                                 | -                         | 117,416           |
| -                 | -                                 | 39,687                    | 39,687            |
| <u>10,067</u>     | <u>-</u>                          | <u>116,355</u>            | <u>126,422</u>    |
| <u>\$ 10,067</u>  | <u>\$ -</u>                       | <u>\$ 156,042</u>         | <u>\$ 320,666</u> |
| \$ -              | \$ -                              | \$ 1,099                  | \$ 3,354          |
| 10,355            | -                                 | -                         | 10,355            |
| -                 | -                                 | 100,000                   | 100,000           |
| -                 | 17                                | 1,468                     | 1,485             |
| -                 | -                                 | -                         | 100,595           |
| -                 | -                                 | -                         | 66,527            |
| <u>-</u>          | <u>-</u>                          | <u>-</u>                  | <u>4,275</u>      |
| <u>\$ 10,355</u>  | <u>\$ 17</u>                      | <u>\$ 102,567</u>         | <u>\$ 286,591</u> |
| (\$ 288)          | (\$ 17)                           | \$ 53,475                 | \$ 34,075         |
| \$ 300            | \$ -                              | \$ -                      | \$ 66,982         |
| -                 | -                                 | ( 10,000)                 | ( 26,682)         |
| <u>-</u>          | <u>-</u>                          | <u>-</u>                  | <u>( 10,908)</u>  |
| <u>\$ 300</u>     | <u>\$ -</u>                       | <u>(\$ 10,000)</u>        | <u>\$ 29,392</u>  |
| \$ 12             | (\$ 17)                           | \$ 43,475                 | \$ 63,467         |
| <u>45</u>         | <u>10,033</u>                     | <u>218,492</u>            | <u>234,692</u>    |
| <u>\$ 57</u>      | <u>\$ 10,016</u>                  | <u>\$ 261,967</u>         | <u>\$ 298,159</u> |

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS - ENTERPRISE  
 COMBINING BALANCE SHEET

February 29, 2004

| <u>ASSETS</u>                                      |    |                  | <u>Water</u>       | <u>Sewer</u>       |
|--|----|------------------|--------------------|--------------------|
| <u>CURRENT ASSETS</u>                              |    |                  |                    |                    |
| Cash in bank                                       |    | \$               | 71,194             | \$ -               |
| Investments  |    |                  | -                  | -                  |
| Investment in joint venture                        |    |                  | -                  | -                  |
| Accounts receivable                                |    |                  | 9,333              | -                  |
| Due from other funds                               |    |                  | 838                | 13,576             |
| Due from component units                           |    |                  | -                  | -                  |
| Due from other governmental units                  |    |                  | 97,100             | 27,249             |
|  |    |                  | <u>178,465</u>     | <u>40,825</u>      |
| TOTAL CURRENT ASSETS                               |    |                  | \$                 | \$                 |
| <u>PROPERTY, PLANT, AND EQUIPMENT</u>              |    |                  |                    |                    |
| Property, plant, and equipment                     |    |                  | \$4,110,864        | \$ 8,480           |
| Accumulated depreciation                           |    |                  | ( 1,604,733)       | ( 7,322)           |
| Construction in process                            |    |                  | 2,915,570          | -                  |
|  |    |                  | <u>5,421,701</u>   | <u>1,158</u>       |
| TOTAL PROPERTY, PLANT, AND EQUIPMENT               |    |                  | \$                 | \$                 |
| <u>OTHER ASSETS</u>                                |    |                  |                    |                    |
| Restricted assets - cash                           |    |                  | \$ 143,312         | \$ -               |
| Investment in Baraga Village/Keweenaw Bay          |    |                  |                    |                    |
| Reservation Waste Water Authority                  |    |                  | -                  | 2,639,490          |
|  |    |                  | <u>143,312</u>     | <u>2,639,490</u>   |
| TOTAL OTHER ASSETS                                 |    |                  | \$                 | \$                 |
| TOTAL ASSETS                                       |    |                  | <u>\$5,743,478</u> | <u>\$2,681,473</u> |
| <u>LIABILITIES AND FUND EQUITY</u>                 |    |                  |                    |                    |
| <u>CURRENT LIABILITIES</u>                         |    |                  |                    |                    |
| Accounts payable, compensation, and payroll taxes  | \$ | 191,641          | \$                 | 1,440              |
| Cash overdraft                                     |    | -                |                    | 38,469             |
| Accrued interest payable                           |    | 16,359           |                    | -                  |
| Due to other funds                                 |    | 47,373           |                    | 2,538              |
| Payable from restricted assets - customer deposits |    | -                |                    | -                  |
| Current maturities on long-term debt               |    | 37,000           |                    | -                  |
|  |    | <u>292,373</u>   |                    | <u>42,447</u>      |
| TOTAL CURRENT LIABILITIES                          |    |                  | \$                 | \$                 |
| <u>LONG-TERM LIABILITIES</u>                       |    |                  |                    |                    |
| Revenue bonds payable, net of current maturities   |    | 1,883,000        |                    | -                  |
|  |    | <u>1,883,000</u> |                    | <u>-</u>           |
| TOTAL LIABILITIES                                  |    |                  | <u>\$2,175,373</u> | <u>\$ 42,447</u>   |
| <u>FUND EQUITY</u>                                 |    |                  |                    |                    |
| Contributed capital                                |    | \$3,430,740      |                    | \$2,480,486        |
| Retained earnings (deficit) - unreserved           |    | 9,427            |                    | 158,540            |
| Retained earnings - reserved:                      |    |                  |                    |                    |
| Revenue bond retirement                            |    | 30,108           |                    | -                  |
| Bond reserve accounts                              |    | 97,830           |                    | -                  |
|  |    | <u>3,568,105</u> |                    | <u>2,639,026</u>   |
| TOTAL FUND EQUITY                                  |    |                  | \$                 | \$                 |
| TOTAL LIABILITIES AND FUND EQUITY                  |    |                  | <u>\$5,743,478</u> | <u>\$2,681,473</u> |

The accompanying notes to financial statements  
 are an integral part of this statement.

| <u>Electric</u>    | <u>Total<br/>(Memorandum<br/>Only)</u> |
|--------------------|--|
| \$ 535,412         | \$ 606,606                             |
| 177,606            | 177,606                                |
| 108,092            | 108,092                                |
| 15,940             | 25,273                                 |
| 12,982             | 27,396                                 |
| 3,000              | 3,000                                  |
| <u>113,645</u>     | <u>237,994</u>                         |
| <u>\$ 966,677</u>  | <u>\$1,185,967</u>                     |
| <br>\$1,328,482    | <br>\$5,447,826                        |
| ( 828,701)         | ( 2,440,756)                           |
| <u>-</u>           | <u>2,915,570</u>                       |
| <u>\$ 499,781</u>  | <u>\$5,922,640</u>                     |
| <br>\$ 31,510      | <br>\$ 174,822                         |
| <u>-</u>           | <u>2,639,490</u>                       |
| <u>\$ 31,510</u>   | <u>\$2,814,312</u>                     |
| <u>\$1,497,968</u> | <u>\$9,922,919</u>                     |
| <br>\$ 10,667      | <br>\$ 203,748                         |
| -                  | 38,469                                 |
| -                  | 16,359                                 |
| 14,130             | 64,041                                 |
| 31,510             | 31,510                                 |
| <u>-</u>           | <u>37,000</u>                          |
| <u>\$ 56,307</u>   | <u>\$ 391,127</u>                      |
| <u>-</u>           | <u>1,883,000</u>                       |
| <u>\$ 56,307</u>   | <u>\$2,274,127</u>                     |
| <br>\$ 239,455     | <br>\$6,150,681                        |
| 1,202,206          | 1,370,173                              |
| -                  | 30,108                                 |
| <u>-</u>           | <u>97,830</u>                          |
| <u>\$1,441,661</u> | <u>\$7,648,792</u>                     |
| <u>\$1,497,968</u> | <u>\$9,922,919</u>                     |

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS - ENTERPRISE  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS

For year ended February 29, 2004

|  | <u>Water</u>        | <u>Sewer</u>        | <u>Electric</u>    | <u>Total<br/>(Memorandum<br/>Only)</u> |
|--|---------------------|---------------------|--------------------|--|
| <u>OPERATING REVENUES</u>  | \$ 369,068          | \$ 115,455          | \$1,459,475        | \$ 1,943,998                           |
| <u>OPERATING EXPENSES</u>  |                     |                     |                    |  |
| See schedule   | <u>385,922</u>      | <u>126,911</u>      | <u>987,163</u>     | <u>1,499,996</u>                       |
| OPERATING INCOME (LOSS)  | (\$ <u>16,854</u> ) | (\$ <u>11,456</u> ) | \$ <u>472,312</u>  | \$ <u>444,002</u>                      |
| <u>NON-OPERATING REVENUES<br/>(EXPENSES)</u>   |                     |                     |                    |  |
| Interest income  | \$ 1,871            | \$ -                | \$ 22,773          | \$ 24,644                              |
| Interest expense on<br>notes and bonds   | ( 44,518)           | -                   | -                  | ( 44,518)                              |
| Income (loss) from<br>investments  | <u>-</u>            | <u>( 82,457)</u>    | <u>-</u>           | <u>( 82,457)</u>                       |
| TOTAL NON-OPERATING<br>REVENUES (EXPENSES)   | (\$ <u>42,647</u> ) | (\$ <u>82,457</u> ) | \$ <u>22,773</u>   | (\$ <u>102,331</u> )                   |
| INCOME (LOSS) BEFORE OTHER<br>FINANCING SOURCES (USES)   | (\$ 59,501)         | (\$ 93,913)         | \$ 495,085         | \$ 341,671                             |
| <u>OTHER FINANCING SOURCES<br/>(USES)</u>  |                     |                     |                    |  |
| Operating transfers<br>to other funds  | <u>-</u>            | <u>-</u>            | <u>( 448,300)</u>  | <u>( 448,300)</u>                      |
| NET INCOME (LOSS)  | (\$ 59,501)         | (\$ 93,913)         | \$ 46,785          | (\$ 106,629)                           |
| Add depreciation on<br>property, plant and<br>equipment acquired by<br>federal and state<br>grants which reduce<br>contributed capital | <u>56,243</u>       | <u>121,750</u>      | <u>31,013</u>      | <u>209,006</u>                         |
| INCREASE (DECREASE)<br>IN RETAINED EARNINGS  | (\$ 3,258)          | \$ 27,837           | \$ 77,798          | \$ 102,377                             |
| Retained earnings<br>(deficit) March 1, 2003   | <u>140,623</u>      | <u>130,703</u>      | <u>1,124,408</u>   | <u>1,395,734</u>                       |
| RETAINED EARNINGS<br>(DEFICIT)   |                     |                     |                    |  |
| FEBRUARY 29, 2004  | <u>\$ 137,365</u>   | <u>\$ 158,540</u>   | <u>\$1,202,206</u> | <u>\$ 1,498,111</u>                    |

The accompanying notes to financial statements  
are an integral part of this statement.



VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS - ENTERPRISE  
COMBINING SCHEDULE OF OPERATING EXPENSES

For year ended February 29, 2004

| <u>OPERATING EXPENSES</u>          | <u>Water</u>      | <u>Sewer</u>      | <u>Electric</u>   | <u>Total<br/>(Memorandum<br/>Only)</u> |
|------------------------------------|-------------------|-------------------|-------------------|--|
| Salaries and wages                 | \$ 112,052        | \$ 69,035         | \$ 55,320         | \$ 236,407                             |
| Vacation, holiday,<br>and sick pay | 9,673             | 5,988             | 4,053             | 19,714                                 |
| Payroll taxes                      | 8,572             | 7,192             | 5,525             | 21,289                                 |
| Retirement plan                    | 20,010            | 12,387            | 8,385             | 40,782                                 |
| Hospitalization<br>insurance       | 37,209            | 23,034            | 15,592            | 75,835                                 |
| Power purchased                    | -                 | -                 | 735,065           | 735,065                                |
| Office supplies<br>and postage     | 845               | 357               | 914               | 2,116                                  |
| Operating supplies                 | 21,657            | 2,370             | 30,491            | 54,518                                 |
| Repairs and<br>maintenance         | 5,744             | 1,017             | -                 | 6,761                                  |
| Equipment rental                   | 5,173             | -                 | 12,556            | 17,729                                 |
| Sales tax                          | -                 | -                 | 23,856            | 23,856                                 |
| Utilities                          | 20,493            | 241               | -                 | 20,734                                 |
| Insurance and bonds                | 5,127             | 1,106             | 749               | 6,982                                  |
| Contracted services                | 2,152             | 3,948             | 25,682            | 31,782                                 |
| Provision for<br>depreciation      | 136,262           | 231               | 67,550            | 204,043                                |
| Miscellaneous                      | 953               | 5                 | 1,425             | 2,383                                  |
| TOTAL OPERATING EXPENSES           | <u>\$ 385,922</u> | <u>\$ 126,911</u> | <u>\$ 987,163</u> | <u>\$ 1,499,996</u>                    |

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS - ENTERPRISE  
COMBINING STATEMENT OF CASH FLOWS  
For the year ended February 29, 2004

|  | <u>Water</u>            | <u>Sewer</u>               |
|--|-------------------------|----------------------------|
| <u>CASH FLOWS PROVIDED BY (USED IN)</u>  |                         |                            |
| <u>OPERATING ACTIVITIES</u>  |                         |                            |
| Operating income (loss)  | (\$ 16,854)             | (\$ 11,456)                |
| Adjustments to reconcile net income to net cash provided by operating activities - |                         |                            |
| Depreciation   | 136,262                 | 231                        |
| Changes in assets and liabilities:   |                         |                            |
| Accounts receivable (increase) decrease  | 181                     | -                          |
| Bonds receivable (increase) decrease   | 198,900                 | -                          |
| Due from other governmental units  | ( 15,070)               | ( 8,247)                   |
| Deferred revenue increase (decrease)   | ( 22,975)               | -                          |
| Accounts payable increase (decrease)   | 174,285                 | 215                        |
| Accrued interest payable increase (decrease)                                       | <u>3,587</u>            | <u>-</u>                   |
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES                              | \$ <u>458,316</u>       | (\$ <u>19,257</u> )        |
| <u>CASH FLOWS PROVIDED BY (USED IN)</u>  |                         |                            |
| <u>NONCAPITAL FINANCING ACTIVITIES</u>   |                         |                            |
| Due to other funds increase (decrease)   | \$ 5,599                | (\$ 13,155)                |
| Due from other funds (increase) decrease   | ( 838)                  | ( 13,576)                  |
| Transfers to other funds   | <u>-</u>                | <u>-</u>                   |
| CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES                   | \$ <u>4,761</u>         | (\$ <u>26,731</u> )        |
| <u>CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</u>   |                         |                            |
| Restricted assets (increase) decrease  | (\$ 6,874)              | \$ -                       |
| Acquisition of property, plant, and equipment                                      | ( 984,709)              | ( 1,387)                   |
| Construction in process  | ( 2,053,190)            | -                          |
| Bond proceeds  | 975,000                 | -                          |
| Contributed capital  | 1,673,501               | -                          |
| Payments on revenue bonds  | ( 28,000)               | -                          |
| Interest paid on revenue bonds   | <u>( 44,518)</u>        | <u>-</u>                   |
| CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES          | (\$ <u>468,790</u> )    | (\$ <u>1,387</u> )         |
| <u>CASH FLOWS PROVIDED BY (USED IN)</u>  |                         |                            |
| <u>INVESTING ACTIVITIES</u>  |                         |                            |
| Interest received on investments   | \$ 1,871                | \$ -                       |
| Investments (increase) decrease  | -                       | -                          |
| Investment in joint venture (increase) decrease                                    | <u>-</u>                | <u>-</u>                   |
| CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES                              | \$ <u>1,871</u>         | \$ <u>-</u>                |
| NET INCREASE (DECREASE) IN CASH  | (\$ 3,842)              | (\$ 47,375)                |
| Cash at March 1, 2003  | <u>75,036</u>           | <u>8,906</u>               |
| Cash at February 29, 2004  | \$ <u><u>71,194</u></u> | (\$ <u><u>38,469</u></u> ) |

The accompanying notes to financial statements are an integral part of this statement.

| <u>Electric</u>    | <u>Total<br/>(Memorandum<br/>Only)</u> |
|--------------------|--|
| \$ 472,312         | \$ 444,002                             |
| 67,550             | 204,043                                |
| 15,959             | 16,140                                 |
| -                  | 198,900                                |
| ( 112,195)         | ( 135,512)                             |
| -                  | ( 22,975)                              |
| ( 67,657)          | 106,843                                |
| <u>-</u>           | <u>3,587</u>                           |
| \$ 375,969         | \$ 815,028                             |
| (\$ 844)           | (\$ 8,400)                             |
| 3,735              | ( 10,679)                              |
| ( <u>448,300</u> ) | ( <u>448,300</u> )                     |
| (\$ 445,409)       | (\$ 467,379)                           |
| \$ 1,725           | (\$ 5,149)                             |
| ( 28,422)          | ( 1,014,518)                           |
| -                  | ( 2,053,190)                           |
| -                  | 975,000                                |
| -                  | 1,673,501                              |
| -                  | ( 28,000)                              |
| <u>-</u>           | ( <u>44,518</u> )                      |
| (\$ 26,697)        | (\$ 496,874)                           |
| \$ 22,773          | \$ 24,644                              |
| ( 177,606)         | ( 177,606)                             |
| ( <u>108,092</u> ) | ( <u>108,092</u> )                     |
| (\$ 262,925)       | (\$ 261,054)                           |
| (\$ 359,062)       | (\$ 410,279)                           |
| <u>894,474</u>     | <u>978,416</u>                         |
| <u>\$ 535,412</u>  | <u>\$ 568,137</u>                      |

VILLAGE OF BARAGA, MICHIGAN

WATER FUND  
BALANCE SHEETS

|  | <u>February 29,</u><br><u>2004</u> | <u>February 28,</u><br><u>2003</u> |
|--|------------------------------------|------------------------------------|
| <u>ASSETS</u>  |                                    |                                    |
| <u>CURRENT ASSETS</u>                                |                                    |                                    |
| Cash in bank   | \$ 71,194                          | \$ 75,036                          |
| Accounts receivable                                  | 9,333                              | 9,514                              |
| Bond proceeds receivable                             | -                                  | 198,900                            |
| Due from other funds                                 | 838                                | -                                  |
| Due from other governmental units                    | <u>97,100</u>                      | <u>82,030</u>                      |
| TOTAL CURRENT ASSETS                                 | \$ <u>178,465</u>                  | \$ <u>365,480</u>                  |
| <u>PROPERTY, PLANT, AND EQUIPMENT</u>                |                                    |                                    |
| Property, plant, and equipment                       | \$ 4,110,864                       | \$ 3,126,155                       |
| Accumulated depreciation                             | ( 1,604,733)                       | ( 1,468,471)                       |
| Construction in process                              | <u>2,915,570</u>                   | <u>862,380</u>                     |
| TOTAL PROPERTY, PLANT, AND EQUIPMENT                 | \$ <u>5,421,701</u>                | \$ <u>2,520,064</u>                |
| <u>OTHER ASSETS</u>                                  |                                    |                                    |
| Restricted assets - cash                             | \$ <u>143,312</u>                  | \$ <u>136,438</u>                  |
| TOTAL ASSETS   | \$ <u>5,743,478</u>                | \$ <u>3,021,982</u>                |
| <u>LIABILITIES AND FUND EQUITY</u>                   |                                    |                                    |
| <u>CURRENT LIABILITIES</u>                           |                                    |                                    |
| Accounts payable, compensation,<br>and payroll taxes | \$ 191,641                         | \$ 17,356                          |
| Accrued interest payable                             | 16,359                             | 12,772                             |
| Due to other funds                                   | 47,373                             | 41,774                             |
| Deferred revenue                                     | -                                  | 22,975                             |
| Current maturities on long-term debt                 | <u>37,000</u>                      | <u>28,000</u>                      |
| TOTAL CURRENT LIABILITIES                            | \$ 292,373                         | \$ 122,877                         |
| <u>LONG-TERM LIABILITIES</u>                         |                                    |                                    |
| Revenue bonds payable, net of<br>current maturities  | <u>1,883,000</u>                   | <u>945,000</u>                     |
| TOTAL LIABILITIES                                    | \$ <u>2,175,373</u>                | \$ <u>1,067,877</u>                |
| <u>FUND EQUITY</u>                                   |                                    |                                    |
| Contributed capital                                  | \$ 3,430,740                       | \$ 1,813,482                       |
| Retained earnings (deficit) - unreserved             | 9,427                              | 19,768                             |
| Retained earnings - reserved:                        |                                    |                                    |
| Revenue bond retirement                              | 30,108                             | 24,033                             |
| Bond reserve accounts                                | <u>97,830</u>                      | <u>96,822</u>                      |
| TOTAL FUND EQUITY                                    | \$ <u>3,568,105</u>                | \$ <u>1,954,105</u>                |
| TOTAL LIABILITIES AND FUND EQUITY                    | \$ <u>5,743,478</u>                | \$ <u>3,021,982</u>                |

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

WATER FUND  
STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS

|   | <u>Year Ended</u>                  |                                    |
|---|------------------------------------|------------------------------------|
|   | <u>February 29,</u><br><u>2004</u> | <u>February 28,</u><br><u>2003</u> |
| <u>OPERATING REVENUES</u>   | \$ 369,068                         | \$ 327,639                         |
| <u>OPERATING EXPENSES</u>   |                                    |                                    |
| Salaries and wages  | \$ 112,052                         | \$ 122,697                         |
| Vacation, holiday, and sick pay   | 9,673                              | 16,635                             |
| Payroll taxes   | 8,572                              | 9,816                              |
| Retirement plan   | 20,010                             | 19,605                             |
| Hospitalization insurance   | 37,209                             | 26,532                             |
| Office supplies   | 845                                | 634                                |
| Operating supplies  | 21,657                             | 25,925                             |
| Repairs and maintenance   | 5,744                              | 11,098                             |
| Equipment rental  | 5,173                              | 7,406                              |
| Utilities and heating   | 20,493                             | 17,917                             |
| Insurance and bonds   | 5,127                              | 2,137                              |
| Contracted services   | 2,152                              | 13,194                             |
| Provision for depreciation  | 136,262                            | 131,062                            |
| Miscellaneous   | 953                                | 3,257                              |
| TOTAL OPERATING EXPENSES  | \$ 385,922                         | \$ 407,915                         |
| OPERATING INCOME (LOSS)   | (\$ 16,854)                        | (\$ 80,276)                        |
| <u>NON-OPERATING REVENUES (EXPENSES)</u>  |                                    |                                    |
| Interest income   | \$ 1,871                           | \$ 1,763                           |
| Interest expense on bonds   | (\$ 44,518)                        | (\$ 34,994)                        |
| TOTAL NON-OPERATING REVENUES (EXPENSES)   | (\$ 42,647)                        | (\$ 33,231)                        |
| NET INCOME (LOSS)   | (\$ 59,501)                        | (\$ 113,507)                       |
| Add depreciation on property, plant and<br>equipment acquired by federal and state<br>grants which reduce contributed capital | 56,243                             | 51,007                             |
| INCREASE (DECREASE) IN RETAINED EARNINGS  | (\$ 3,258)                         | (\$ 62,500)                        |
| Retained earnings (deficit)<br>March 1, 2003 and 2002   | 140,623                            | 203,123                            |
| RETAINED EARNINGS (DEFICIT)<br>FEBRUARY 29, 2004 AND FEBRUARY 28, 2003  | \$ 137,365                         | \$ 140,623                         |

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

WATER FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
Year Ended February 29, 2004

|   | <u>Budget</u> | <u>Actual</u> | Variance<br>Favorable<br>(Unfavorable) |
|---|---------------|---------------|--|
| <u>OPERATING REVENUES</u>   | \$ 372,600    | \$ 369,068    | (\$ 3,532)                             |
| <u>OPERATING EXPENSES</u>   |               |               |  |
| Salaries and wages  | \$ 138,000    | \$ 112,052    | \$ 25,948                              |
| Vacation, holiday, and sick pay   | -             | 9,673         | ( 9,673)                               |
| Payroll taxes   | 45,000        | 8,572         | 36,428                                 |
| Retirement plan   | -             | 20,010        | ( 20,010)                              |
| Hospitalization insurance   | 36,000        | 37,209        | ( 1,209)                               |
| Office supplies   | 100           | 845           | ( 745)                                 |
| Operating supplies  | 27,000        | 21,657        | 5,343                                  |
| Repairs and maintenance   | 11,800        | 5,744         | 6,056                                  |
| Equipment rental  | 4,800         | 5,173         | ( 373)                                 |
| Utilities and heating   | 21,000        | 20,493        | 507                                    |
| Insurance and bonds   | 5,000         | 5,127         | ( 127)                                 |
| Contracted services   | 13,000        | 2,152         | 10,848                                 |
| Provision for depreciation  | -             | 136,262       | ( 136,262)                             |
| Miscellaneous   | 10,000        | 953           | 9,047                                  |
| TOTAL OPERATING EXPENSES  | \$ 311,700    | \$ 385,922    | (\$ 74,222)                            |
| OPERATING INCOME (LOSS)   | \$ 60,900     | (\$ 16,854)   | (\$ 77,754)                            |
| <u>NON-OPERATING REVENUES (EXPENSES)</u>  |               |               |  |
| Interest income   | \$ 500        | \$ 1,871      | \$ 1,371                               |
| Interest expense on bonds   | ( 61,400)     | ( 44,518)     | 16,882                                 |
| TOTAL NON-OPERATING<br>REVENUES (EXPENSES)  | (\$ 60,900)   | (\$ 42,647)   | \$ 18,253                              |
| INCOME (LOSS) BEFORE OTHER<br>FINANCING SOURCES (USES)  | \$ -          | (\$ 59,501)   | (\$ 59,501)                            |
| Add depreciation on property, plant<br>and equipment acquired by federal<br>and state grants which reduces<br>contributed capital | -             | 56,243        | 56,243                                 |
| INCREASE (DECREASE)<br>IN RETAINED EARNINGS   | \$ -          | (\$ 3,258)    | (\$ 3,258)                             |
| Retained earnings (deficit)<br>March 1, 2003  | 140,623       | 140,623       | -                                      |
| RETAINED EARNINGS (DEFICIT)<br>FEBRUARY 29, 2004  | \$ 140,623    | \$ 137,365    | (\$ 3,258)                             |

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
BALANCE SHEETS

|  | <u>February 29,</u><br><u>2004</u> | <u>February 28,</u><br><u>2003</u> |
|--|------------------------------------|------------------------------------|
| <u>ASSETS</u>  |                                    |                                    |
| <u>CURRENT ASSETS</u>  |                                    |                                    |
| Cash in bank   | \$ -                               | \$ 8,906                           |
| Due from other funds   | 13,576                             | -                                  |
| Due from other governmental units  | <u>27,249</u>                      | <u>19,002</u>                      |
| TOTAL CURRENT ASSETS   | <u>\$ 40,825</u>                   | <u>\$ 27,908</u>                   |
| <u>PROPERTY AND EQUIPMENT</u>  |                                    |                                    |
| Equipment  | \$ 8,480                           | \$ 7,091                           |
| Accumulated depreciation   | <u>( 7,322)</u>                    | <u>( 7,091)</u>                    |
| TOTAL PROPERTY AND EQUIPMENT   | <u>\$ 1,158</u>                    | <u>\$ -</u>                        |
| <u>OTHER ASSETS</u>  |                                    |                                    |
| Investment in Baraga Village/Keweenaw<br>Bay Reservation Waste Water Authority | <u>\$ 2,639,490</u>                | <u>\$ 2,721,948</u>                |
| TOTAL ASSETS   | <u>\$ 2,681,473</u>                | <u>\$ 2,749,856</u>                |
| <u>LIABILITIES AND FUND EQUITY</u>   |                                    |                                    |
| <u>CURRENT LIABILITIES</u>   |                                    |                                    |
| Accounts payable, compensation,<br>and payroll taxes                           | \$ 1,440                           | \$ 1,225                           |
| Cash overdraft   | 38,469                             | -                                  |
| Due to other funds   | <u>2,538</u>                       | <u>15,693</u>                      |
| TOTAL LIABILITIES  | <u>\$ 42,447</u>                   | <u>\$ 16,918</u>                   |
| <u>FUND EQUITY</u>   |                                    |                                    |
| Contributed capital  | \$ 2,480,486                       | \$ 2,602,235                       |
| Retained earnings (deficit) -<br>Unreserved                                    | <u>158,540</u>                     | <u>130,703</u>                     |
| TOTAL FUND EQUITY  | <u>\$ 2,639,026</u>                | <u>\$ 2,732,938</u>                |
| TOTAL LIABILITIES AND FUND EQUITY  | <u>\$ 2,681,473</u>                | <u>\$ 2,749,856</u>                |

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

|   | Year Ended           |                      |
|---|----------------------|----------------------|
|   | February 29,<br>2004 | February 28,<br>2003 |
| <u>OPERATING REVENUES</u>   | \$ 115,455           | \$ 129,815           |
| <u>OPERATING EXPENSES</u>   |                      |                      |
| Salaries and wages  | \$ 69,035            | \$ 71,715            |
| Vacation, holiday, and sick pay   | 5,988                | 7,581                |
| Payroll taxes   | 7,192                | 5,726                |
| Retirement plan   | 12,387               | 13,863               |
| Hospitalization insurance   | 23,034               | 16,424               |
| Office supplies and postage   | 357                  | 236                  |
| Operating supplies  | 2,370                | 3,363                |
| Repairs and maintenance   | 1,017                | 15,095               |
| Utilities   | 241                  | 456                  |
| Insurance and bonds   | 1,106                | 1,323                |
| Contracted services   | 3,948                | 4,491                |
| Provision for depreciation  | 231                  | 44                   |
| Miscellaneous   | 5                    | -                    |
| TOTAL OPERATING EXPENSES  | \$ 126,911           | \$ 140,317           |
| OPERATING LOSS  | (\$ 11,456)          | (\$ 10,502)          |
| <u>NON-OPERATING REVENUES (EXPENSES)</u>  |                      |                      |
| Gain (loss) from investment in Baraga<br>Village/Keweenaw Bay Reservation<br>Waste Water Authority                              | ( 82,457)            | ( 149,586)           |
| NET INCOME (LOSS)   | (\$ 93,913)          | (\$ 160,088)         |
| Add depreciation on property, plant, and<br>equipment acquired by federal and state<br>grants which reduces contributed capital | 121,750              | 121,751              |
| INCREASE (DECREASE) IN RETAINED EARNINGS  | \$ 27,837            | (\$ 38,337)          |
| Retained earnings March 1, 2003 and 2002  | 130,703              | 169,040              |
| RETAINED EARNINGS FEBRUARY 29, 2004<br>AND FEBRUARY 28, 2003  | \$ 158,540           | \$ 130,703           |

The accompanying notes to financial statements  
are an integral part of this statement.



VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
Year Ended February 29, 2004

|   | <u>Budget</u>     | <u>Actual</u>      | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---|-------------------|--------------------|---|
| <u>OPERATING REVENUES</u>   | <u>\$ 109,800</u> | <u>\$ 115,455</u>  | <u>\$ 5,655</u>                                 |
| <u>OPERATING EXPENSES</u>   |                   |                    |   |
| Salaries and wages  | \$ 62,000         | \$ 69,035          | (\$ 7,035)                                      |
| Vacation, holiday, and sick pay   | -                 | 5,988              | ( 5,988)  |
| Payroll taxes   | 21,700            | 7,192              | 14,508  |
| Retirement plan   | -                 | 12,387             | ( 12,387)                                       |
| Hospitalization insurance   | -                 | 23,034             | ( 23,034)                                       |
| Office supplies and postage   | -                 | 357                | ( 357)  |
| Operating supplies  | 7,000             | 2,370              | 4,630   |
| Repairs and maintenance   | 6,000             | 1,017              | 4,983   |
| Utilities   | 1,100             | 241                | 859   |
| Insurance and bonds   | 2,500             | 1,106              | 1,394   |
| Contracted services   | 7,000             | 3,948              | 3,052   |
| Provision for depreciation  | -                 | 231                | ( 231)  |
| Miscellaneous   | <u>2,600</u>      | <u>5</u>           | <u>2,595</u>                                    |
| TOTAL OPERATING EXPENSES  | <u>\$ 109,900</u> | <u>\$ 126,911</u>  | <u>(\$ 17,011)</u>                              |
| OPERATING INCOME (LOSS)   | <u>(\$ 100)</u>   | <u>(\$ 11,456)</u> | <u>(\$ 11,356)</u>                              |
| <u>NON-OPERATING REVENUES (EXPENSES)</u>  |                   |                    |   |
| Gain (loss) from investments in<br>Baraga Village/Keweenaw Bay<br>Reservation Waste Water Authority                               | <u>\$ -</u>       | <u>(\$ 82,457)</u> | <u>(\$ 82,457)</u>                              |
| NET INCOME  | <u>(\$ 100)</u>   | <u>(\$ 93,913)</u> | <u>(\$ 93,813)</u>                              |
| Add depreciation on property, plant<br>and equipment acquired by federal<br>and state grants which reduces<br>contributed capital | <u>-</u>          | <u>121,750</u>     | <u>121,750</u>                                  |
| INCREASE (DECREASE) IN<br>RETAINED EARNINGS   | <u>(\$ 100)</u>   | <u>\$ 27,837</u>   | <u>\$ 27,937</u>                                |
| Retained earnings March 1, 2003   | <u>130,703</u>    | <u>130,703</u>     | <u>-</u>  |
| RETAINED EARNINGS FEBRUARY 29, 2004   | <u>\$ 130,603</u> | <u>\$ 158,540</u>  | <u>(\$ 27,937)</u>                              |

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
BALANCE SHEETS

February 29,      February 28,  
2004                      2003

ASSETS

CURRENT ASSETS

|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
| Cash in bank                      | \$ 535,412        | \$ 894,474        |
| Investments                       | 177,606           | -                 |
| Investment in joint venture       | 108,092           | -                 |
| Accounts receivable               | 15,940            | 31,899            |
| Due from other funds              | 12,982            | 16,717            |
| Due from component unit           | 3,000             | 3,000             |
| Due from other governmental units | <u>113,645</u>    | <u>1,450</u>      |
| TOTAL CURRENT ASSETS              | \$ <u>966,677</u> | \$ <u>947,540</u> |

PROPERTY, PLANT, AND EQUIPMENT

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Property, plant, and equipment       | \$ 1,328,482       | \$ 1,300,061       |
| Accumulated depreciation             | ( <u>828,701</u> ) | ( <u>761,151</u> ) |
| TOTAL PROPERTY, PLANT, AND EQUIPMENT | \$ <u>499,781</u>  | \$ <u>538,910</u>  |

OTHER ASSETS

|                          |                     |                     |
|--------------------------|---------------------|---------------------|
| Restricted assets - Cash | \$ <u>31,510</u>    | \$ <u>33,235</u>    |
| TOTAL ASSETS             | \$ <u>1,497,968</u> | \$ <u>1,519,685</u> |

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

|   |                  |                   |
|---|------------------|-------------------|
| Accounts payable, compensation,<br>and payroll taxes  | \$ 10,667        | \$ 76,600         |
| Payable from restricted assets -<br>customer deposits | 31,510           | 33,235            |
| Due to other funds                                    | <u>14,130</u>    | <u>14,974</u>     |
| TOTAL LIABILITIES                                     | \$ <u>56,307</u> | \$ <u>124,809</u> |

FUND EQUITY

|                                   |                     |                     |
|-----------------------------------|---------------------|---------------------|
| Contributed capital               | \$ 239,455          | \$ 270,468          |
| Retained earnings - unreserved    | <u>1,202,206</u>    | <u>1,124,408</u>    |
| TOTAL FUND EQUITY                 | \$ <u>1,441,661</u> | \$ <u>1,394,876</u> |
| TOTAL LIABILITIES AND FUND EQUITY | \$ <u>1,497,968</u> | \$ <u>1,519,685</u> |

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

|   | Year Ended                 |                            |
|---|----------------------------|----------------------------|
|   | February 29,<br>2004       | February 28,<br>2003       |
| <u>OPERATING REVENUES</u>   | <u>\$ 1,459,475</u>        | <u>\$ 1,435,856</u>        |
| <u>OPERATING EXPENSES</u>   |                            |                            |
| Salaries and wages  | \$ 55,320                  | \$ 54,760                  |
| Vacation, holiday, and sick pay   | 4,053                      | 5,132                      |
| Payroll taxes   | 5,525                      | 4,369                      |
| Retirement plan   | 8,385                      | 8,888                      |
| Hospitalization insurance   | 15,592                     | 11,514                     |
| Power purchased   | 735,065                    | 848,894                    |
| Office supplies and postage   | 914                        | 236                        |
| Operating supplies  | 30,491                     | 21,497                     |
| Equipment rental  | 12,556                     | 12,923                     |
| Sales tax   | 23,856                     | 21,695                     |
| Insurance   | 749                        | 895                        |
| Contracted services   | 25,682                     | 12,852                     |
| Provision for depreciation  | 67,550                     | 67,829                     |
| Miscellaneous   | 1,425                      | 1,840                      |
| TOTAL OPERATING EXPENSES  | <u>\$ 987,163</u>          | <u>\$ 1,073,324</u>        |
| OPERATING INCOME  | <u>\$ 472,312</u>          | <u>\$ 362,532</u>          |
| <u>NON-OPERATING REVENUES</u>   |                            |                            |
| Interest income   | <u>22,773</u>              | <u>17,935</u>              |
| INCOME BEFORE OPERATING TRANSFERS   | <u>\$ 495,085</u>          | <u>\$ 380,467</u>          |
| <u>OPERATING TRANSFERS IN (OUT)</u>   |                            |                            |
| Other funds   | <u>( 448,300)</u>          | <u>( 360,200)</u>          |
| NET INCOME  | <u>\$ 46,785</u>           | <u>\$ 20,267</u>           |
| Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital | <u>31,013</u>              | <u>31,013</u>              |
| INCREASE IN RETAINED EARNINGS   | <u>\$ 77,798</u>           | <u>\$ 51,280</u>           |
| Retained earnings March 1, 2003 and 2002  | <u>1,124,408</u>           | <u>1,073,128</u>           |
| RETAINED EARNINGS FEBRUARY 29, 2004<br>AND FEBRUARY 28, 2003  | <u><u>\$ 1,202,206</u></u> | <u><u>\$ 1,124,408</u></u> |

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
Year Ended February 29, 2004

|  | <u>Budget</u>             | <u>Actual</u>             | Variance<br>Favorable<br>(Unfavorable) |
|--|---------------------------|---------------------------|--|
| <u>OPERATING REVENUES</u>  | <u>\$1,323,500</u>        | <u>\$1,459,475</u>        | <u>\$ 135,975</u>                      |
| <u>OPERATING EXPENSES</u>  |                           |                           |  |
| Salaries and wages   | \$ 49,000                 | \$ 55,320                 | (\$ 6,320)                             |
| Vacation, holiday, and sick pay  | -                         | 4,053                     | ( 4,053)                               |
| Payroll taxes  | 17,000                    | 5,525                     | 11,475                                 |
| Retirement plan  | -                         | 8,385                     | ( 8,385)                               |
| Hospitalization insurance  | -                         | 15,592                    | ( 15,592)                              |
| Power purchased  | 700,000                   | 735,065                   | ( 35,065)                              |
| Office supplies and postage  | 100                       | 914                       | ( 814)                                 |
| Operating supplies   | 25,000                    | 30,491                    | ( 5,491)                               |
| Equipment rental   | 5,000                     | 12,556                    | ( 7,556)                               |
| Sales tax  | 23,000                    | 23,856                    | ( 856)                                 |
| Insurance  | 3,100                     | 749                       | 2,351                                  |
| Contracted services  | 15,000                    | 25,682                    | ( 10,682)                              |
| Provision for depreciation   | -                         | 67,550                    | ( 67,550)                              |
| Miscellaneous  | <u>75,600</u>             | <u>1,425</u>              | <u>74,175</u>                          |
| TOTAL OPERATING EXPENSES   | <u>\$ 912,800</u>         | <u>\$ 987,163</u>         | <u>(\$ 74,363)</u>                     |
| OPERATING INCOME (LOSS)  | \$ 410,700                | \$ 472,312                | \$ 61,612                              |
| <u>NON-OPERATING REVENUES</u>  |                           |                           |  |
| Interest income  | <u>5,000</u>              | <u>22,773</u>             | <u>17,773</u>                          |
| INCOME (LOSS)  |                           |                           |  |
| BEFORE OPERATING TRANSFERS   | \$ 415,700                | \$ 495,085                | \$ 79,385                              |
| <u>OPERATING TRANSFERS IN (OUT)</u>  | <u>( 415,700)</u>         | <u>( 448,300)</u>         | <u>( 32,600)</u>                       |
| NET INCOME (LOSS)  | \$ -                      | \$ 46,785                 | \$ 46,785                              |
| Add depreciation on property, plant,<br>and equipment acquired by federal<br>and state grants which reduces<br>contributed capital | <u>-</u>                  | <u>31,013</u>             | <u>31,013</u>                          |
| INCREASE (DECREASE)  |                           |                           |  |
| IN RETAINED EARNINGS   | \$ -                      | \$ 77,798                 | \$ 77,798                              |
| Retained earnings March 1, 2003  | <u>1,124,408</u>          | <u>1,124,408</u>          | <u>-</u>                               |
| RETAINED EARNINGS FEBRUARY 29, 2004  | <u><u>\$1,124,408</u></u> | <u><u>\$1,202,206</u></u> | <u><u>\$ 77,798</u></u>                |

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended February 29, 2004

| <u>Federal Grantor/Pass-through Grantor/<br/>Program or Cluster Title</u>  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|--|------------------------------------|---------------------------------|
| U.S. Department of Commerce - Direct Grants:<br>Economic Development Administration:<br>Public Works Development Facilities                                    | 11.300                             | \$ <u>676,826</u>               |
| U.S. Department of Agriculture - Direct Grants:<br>Rural Development:<br>Rural Utilities Service:<br>Water and Waste Disposal System<br>for rural Communities: |                                    |                                 |
| Loans  | 10.760                             | \$ 975,000                      |
| Grants   | 10.760                             | <u>973,700</u>                  |
| Total U.S. Department of Agriculture   |                                    | <u>\$1,948,700</u>              |
| U.S. Department of Housing and<br>Urban Development - Direct Grants<br>Community Development Block Grant/<br>States Program                                    | 14.228                             | \$ <u>205,934</u>               |
| Total Expenditures of Federal Awards   |                                    | <u>\$2,831,460</u>              |

See accompanying notes to schedule of expenditures of federal awards.

VILLAGE OF BARAGA, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended February 29, 2004

1. Federal expenditures represent only the program expenditures that are eligible for Federal participation.
2. This schedule is presented on the modified accrual basis of accounting, please refer to Note A of the financial statement notes for other significant accounting policies.

JOSEPH M. DAAVETILA, P.C.  
Certified Public Accountant  
417 Sheldon Avenue, P.O. Box 488  
Houghton, Michigan 49931

July 15, 2004

The Honorable President and Members  
Village of Baraga Council  
Baraga, MI 49908

Independent Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards

We have audited the general purpose financial statements of the Village of Baraga, Michigan as of and for the year ended February 29, 2004, and have issued our report thereon dated July 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Baraga, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Baraga, Michigan, in a separate letter dated July 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Baraga, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the

internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Village of Baraga, Michigan in a separate letter dated July 15, 2004.

This report is intended for the information and use of the Village Council management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Joseph M. Daulton, PC*

Certified Public Accountant



JOSEPH M. DAAVETILA, P.C.

*Certified Public Accountant*

417 Shelden Avenue, P.O. Box 488

Houghton, Michigan 49931

July 15, 2004

The Honorable President and Members  
Village of Baraga Council  
Baraga, MI 49908

Report on Compliance With Requirements Applicable  
to Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the Village of Baraga, Michigan with the types of compliance requirements described in the **U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement** that are applicable to each of its major federal programs for the year ended February 29, 2004. The Village of Baraga, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Baraga, Michigan's management. Our responsibility is to express an opinion on the Village of Baraga, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; an OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Baraga, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Baraga, Michigan's compliance with those requirements.

In our opinion, the Village of Baraga, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 29, 2004.

### Internal Control Over Compliance

The management of the Village of Baraga, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Baraga, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

VILLAGE OF BARAGA, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended February 29, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weakness (es) identified?      Yes   X   No

Reportable condition (s) identified that are  
not considered to be material weakness (es)?      Yes   X   None reported

Noncompliance material to financial  
statements noted?      Yes   X   No

Federal Awards

Internal control over major programs:  
Material weakness (es) identified?      Yes   X   No  
Reportable condition (s) identified that are  
not considered to be material weakness (es)?      Yes   X   None reported

Type of auditor's report issued on  
compliance for major programs: Unqualified

Any audit findings disclosed that are  
required to be reported in accordance with  
Section 510 (a) of Circular A-133?      Yes   X   No

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of<br/>Federal Program or Cluster</u>                |
|--------------------|--|
| 11.300             | Public Works Development<br>Facilities                       |
| 10.760             | Water and Waste Disposal<br>Systems for Rural<br>Communities |

Dollars threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?      Yes   X   No

Section II - Financial Statement Findings  
None

Section III - Federal Award - Findings and Questioned Costs  
None

JOSEPH M. DAAVETILA, P.C.  
*Certified Public Accountant*  
417 Shelden Avenue, P.O. Box 488  
Houghton, Michigan 49931

July 15, 2004

The Honorable President and Members  
Village of Baraga Council  
Baraga, MI 49908

MANAGEMENT LETTER

In connection with our audit of the general purpose financial statements of the Village of Baraga, Michigan for the year ended February 29, 2004, the following comments and recommendations concerning accounting procedures and controls in effect in the Village are presented for your consideration.

The following comments have appeared in previous years' reports.

1. Interfund loans were made during the year ended February 28, 2001, from the Major Street Fund, the Local Street Fund, and also from grant money, some of which had not been repaid as of the end of the year. These types of funds are typically restricted in their use and should not be used for any other purpose. If these funds are used for interfund loans, there should be, at a minimum, documentation indicating specifically when the loan is to be repaid and at what rate interest is to be paid. We recommend that all such loans be repaid as soon as possible.
2. Cash receiving, depositing, and disbursing functions are all performed by persons having access to accounting records. Ideally, persons handling cash should have no access to accounting records. Also, bank reconciliations are prepared by the same person writing and recording checks. Management has determined that due to the limited size of its staff, it is inefficient and impractical to segregate these duties at this time.
3. We note a continued need for improvement in budget discipline - expenditures and transfers out exceeded appropriations in six funds. We urge the Council to take steps to avoid such excess spending by comparing expenditures and budgets throughout the year. In some instances, it may be necessary to decrease budgeted expenditures to match decreases in anticipated revenues in order to achieve a balanced budget.
4. We had previously noted that only a portion of bank deposits were insured by the Federal Deposit Insurance Corporation (FDIC). Management has rectified this situation and now substantially all bank deposits are now covered by insurance.

5. Presently, the Village of Baraga depends heavily on the excess revenues of the Electric Fund to finance activities in some of the other funds. The deregulation of the electrical utilities industry appears to be imminent. This deregulation may reduce the Electric Fund's excess revenues, which would have a significant impact on the Village's other operations. For instance, for the year ended February 29, 2004, the General Fund would have had a considerable deficit without support from the Electric Fund. We strongly urge the Council to begin developing a plan of action to offset the effects of this impending deregulation. We recommend that these steps be implemented as soon as possible to facilitate the transition.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the February 29, 2004 financial statements, and this report does not affect our report on financial statements dated July 15, 2004.

This report is intended solely for the use of management and should not be used for any other purpose. The comments contained herein are submitted as constructive suggestions to assist the Village in strengthening controls and procedures, and are not intended to reflect upon the honesty or the integrity of any employee.

We would be happy to discuss any of the comments in this report, and would like to thank the officials and employees of the Village for the courtesy and cooperation shown us during our audit.

Very truly yours,



Certified Public Accountant